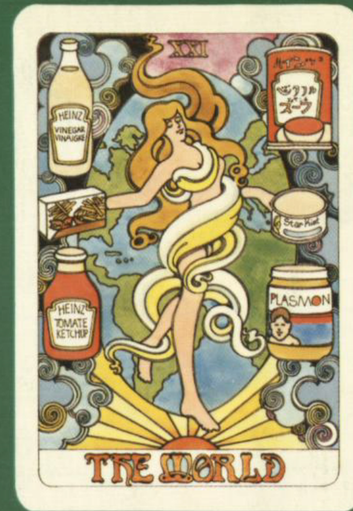
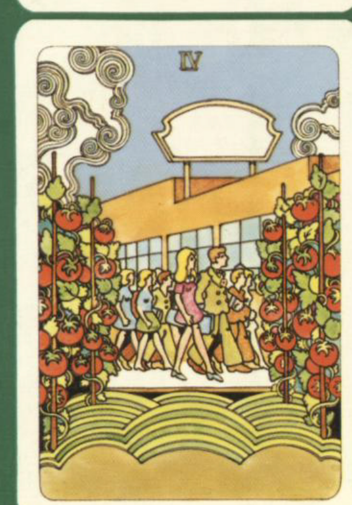
H. J. HEINZ COMPANY ANNUAL REPORT 1972





a noted economist stated that the average American factory employee can earn enough to buy 14.3 pounds of bread or 10.6 quarts of milk for a single hour's work, as against 10.1 and 7.0 in 1950.

• We have come to realize that different age groups have different dietary requirements. Mineral and vitamin requirements for infants are recognized as special. Older people with geriatric complications may require foods low in cholesterol, free of sodium, or otherwise specially formulated for their needs. The processed foods industry has furnished a wide variety of recipes for those at either end of the age scale.

• In certain countries, mass feeding has become a major industry. Increasing mobility, income and leisure time have led to a great rise in the number of meals eaten away from home. It has been predicted that schools of the future will no longer incorporate large kitchens, relying instead on outside services. Office and factory dining rooms are giving way to batteries of vending machines, offering tremendous variety. Even the armed services are following the trend toward convenience foods. Advances in agriculture have created a "green revolution" that is leading us to reassess some of our old notions. Large areas of the world that once seemed doomed to eternal dependence upon outside sources of food are now approaching self-sufficiency. Yields per acre have grown dramatically. New plant strains and new agricultural techniques are winning the battle on many fronts against insects, blight and other natural enemies.

• Scientists have made great strides in their search for new sources of food. The world's oceans and other waterways are being explored for their potential harvests, with increasing attention to the necessity for ecological conservationism. Our dependence on meat as a source of protein is being relieved by new findings on the value of certain vegetables—soybeans, for instance—as suitable substitutes. Petrochemistry promises the prospect of vast supplies of food from oil sources.

Against those facts, consider these:

• Heinz is fully prepared to employ every technique that has proved feasible in food processing, and stands ready to adopt whatever new advances science may bring.

• Heinz is strongly positioned in those world markets where rising standards of living have created a growing demand for convenience foods.

• Major capital expenditures for distribution facilities have improved the efficiency of our service to an increasingly urbanized world population.

• The Heinz reputation, among professionals and consumers, as a major source of information on nutrition has given us an important role in this vital field.

• A strong multinational management team, enforcing profit-improvement programs in every location, has made it possible for Heinz to meet competition in pricing without sacrifice of traditional Heinz quality.

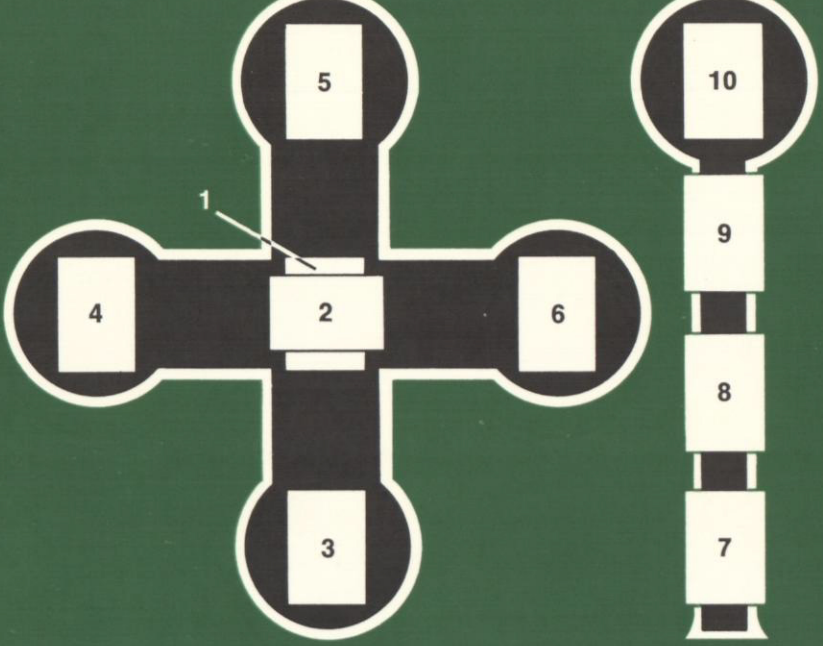
• Various Heinz companies have successfully designed their product lines to satisfy the varying needs of consumers, from place to place and from age group to age group.

• Heinz has launched several ventures in the fast-food field, and now offers a complete line of products for vending operators.

• Heinz has long enjoyed recognition for its efforts in agricultural research, developing new plant strains, working with growers, encouraging greater productivity through mechanization and other techniques, and benefiting the economies of entire nations through technical advice and assistance.

• The Heinz organizational structure permits us to work with others in the search for new sources of food. Through our Star-Kist subsidiary, for instance, we are helping to explore the potentialities of fish protein concentrate, which experts believe may provide at least a partial solution to malnutrition in many parts of the world.

Keeping these two sets of facts in view, we foresee the likelihood of great new adventures for Heinz in the service of mankind. We shall pursue those adventures without losing sight of our century-old reputation as a manufacturer of pure foods, produced under the strictest conditions of sanitation and quality control.



THE COVER:
We don't really believe in such things as tarot cards, do we?
Nevertheless, in this age of sophisticated science and technology, more and more people are turning to the occult for guidance.

Hence the cards on our cover. We place no great faith in such devices; on the other hand, they may be no less reliable than some supposedly "expert" forecasts of the company's future.

To read the message, open this report so that back and front covers lie flat. You now see the cards in the shape of a Celtic cross and scepter, a favored layout.

Beneath the first card is a Significator, which is hidden from view.

The reading now proceeds as follows:

1. (partially concealed)—Nine of Cups. Victory, fulfillment, abundance, difficulties surmounted. Do the cups look like a display of canned goods? Either way, they signify material sustenance—a good start for a food processing company.

2. The Moon. Imagination, intuition, development of psychic powers. Traditionally, the card shows a dog and a wolf. We thought bull and bear more appropriate for a commercial undertaking in the 20th century. You, of course, recognize the fish as one of our plump and tasty tuna.

3. Ace of Wands. The inception of an enterprise. Since we don't deal in wands, we substituted a cucumber. The usual castle is replaced by the "house where we began," which extended its influence around the world more effectively than any stone fortress ever did.

4. Wheel of Fortune. When reversed, as it is here, it reminds us to be alert for setbacks. "Whatsoever a man soweth, that shall he also reap"—an admonition we have obeyed in both agriculture and management.

5. Five of Wands. Strife and strong competition, but success in business will come if one takes bold action and does not depend upon others.

6. Temperance. Good management, organizational ability (we blush), the knowledge of how to mix ingredients into the right combinations. The businessman with his feet on solid earth—the angler with his line in the water—these signify that we derive our resources from both land and sea.

7. Four of Wands. Prosperity, abundant harvests. Also stability, well-laid plans, strong foundations. A reminder to investigate every angle before launching new ventures. We thought it appropriate to decorate the Budding Wands with a fruit that says "Heinz" around the globe.

8. Justice. Elimination of outmoded procedures. A combination of the correct elements, as in chemistry and cooking. Success in handling of money. Note that Justice is never blindfolded in this card.

9. Seven of Pentacles. Growth through energy and effort. Ingenuity in the management of finances. One tarot expert speculates that the card may show a "money tree." We have our own ideas on how to depict wealth.

10. The World. Ability to adapt to change, leading to triumph in all ventures. Mastery of self, giving universal insight. The 10th card tells the final outcome of the reading, and colors the Querent's interpretation of all the cards that have preceded it.

We must admit that we stacked the deck, altered the symbols, and carefully chose only those omens we considered appropriate to our condition. The habit of management does not yield readily to chance in the important business of reaching decisions. For diversion, though, this exercise in fancy refreshes the mind and provides amusement of a sort. We invite you to make your own reading. We think the outcome will be gratifying, regardless of what the cards say.

During the week of May 22, 1972, Heinz representatives from around the world gathered for a New Product Marketing Meeting in San Francisco's Fairmont Hotel. Broadly, their purpose was to help chart the company's future under new conditions of challenge and change. The nature of those conditions is discussed in the essay on these pages.

Food and Heinz: great new adventures ahead

Recent decades have seen a succession of so-called technological revolutions, each spawning its own brood of "glamour" industries—computers, electronics, aerospace, chemicals and others.

What will the chroniclers write when they review the century's history? It is likely that they will find some of their most exciting chapters—and some of the most significant—in one of man's oldest pursuits: the search for food.

It is likely, further, that the name of Heinz will hold a conspicuous place in that history.

Consider these facts:

- The process of food preservation by means of canning was perfected in Napoleon's time. More than a century and a half later, it remains the dominant method for long-term storage of foods. Today, we are working on new techniques that may make even aseptic canning, freezing and freeze-drying obsolete.
- A classic yardstick measured the progress of a civilization in terms of the effort required to obtain food. Those societies whose people had to spend most of their energies in the battle for simple sustenance were considered backward. Advanced societies were those in which a small segment of the population provided food for all. Today, another yardstick is in effect. It measures the time involved in the preparation of meals. It calls for an end to day-in, day-out kitchen drudgery. As living standards rise around the world, there is a new demand for convenience foods.
- The global trend toward urbanization, with millions of people crowded into metropolitan areas far from food-growing sources, has placed a premium on the availability of processed foods in huge quantities.
- We have more information than ever about the influence of diet on human health. We recognize that young people in such advanced countries as the United States and Japan show marked improvement in height and other physical factors over earlier generations, and that this improvement is due largely to better nutrition.
- On the other side of the coin, studies have revealed that many of mankind's ills, formerly regarded as mysterious in source, are due to improper nutrition. It is now believed that certain mental defects, such as retardation and even schizophrenia, can be traced to dietary deficiencies, in some cases originating in the womb.
- In spite of inflation, the food industry, through efficient management, has kept prices down in relation to the rest of the economy. A recent report by

H. J. Heinz Company Annual Report 1972

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Annual Meeting

The annual meeting of company shareholders will be held at 2 p.m. on Wednesday, September 13, 1972, at World Headquarters in Pittsburgh. Formal notice of the meeting and proxy materials will be sent to shareholders about August 7, 1972.

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Highlights of the Year

(Thousands of dollars except per share data)	**1972**	1971	% Change
Net sales	**$1,153,798**	$989,735	+16.6
Net income	**42,287**	37,668	+12.3
As a percent of sales	**3.7%**	3.8%	
Per share of common stock:			
Net income	**$ 2.80**	$ 2.53	+10.7
Dividends	**1.01**	.98	+ 3.1
Book value (1)	**26.07**	24.27	+ 7.4
Additions to property, plant and equipment	**$ 31,444**	$ 30,995	+ 1.4
Depreciation expense	**20,386**	19,033	+ 7.1
Net property, plant and equipment	**250,695**	243,874	+ 2.8
Working capital	**253,370**	241,253	+ 5.0
Shareholders' equity	**$397,084**	$369,534	+ 7.5
Number of common shareholders	**10,630**	11,133	
Average number of common shares outstanding	**15,025,539**	14,777,214	+ 1.7

(1) After deducting $100 per share for second cumulative preferred stock, representing the involuntary liquidation value.

Headlines

In fiscal 1972, H. J. Heinz Company

- saw annual sales in excess of $1 billion, a goal achieved one year ahead of the company's own timetable.
- reached new highs for the ninth consecutive year in dollar sales, earnings, earnings per share, and volume of products sold.
- countered inflation and governmental price strictures in the U.S.A. by intensifying profit improvement programs, marketing activity, new product development, and acquisition efforts in all operating locations.
- expanded mechanical harvesting of raw ingredients and use of the bulk-handling method of delivering harvested crops.
- restructured administration of World Headquarters operations into two geographical areas—North America and Pacific, and Europe and Latin America, each under a senior vice president.
- broadened its public service activities in such areas as human relations, environmental control, nutritional research and education, and consumer protection.

To Our Shareholders:

Fiscal 1972 saw H. J. Heinz Company annual sales exceed $1 billion for the first time. We reached that goal one year ahead of our own schedule.

The year began with a record-breaking first quarter, in terms of net earnings and consolidated sales. Each subsequent quarter established new highs for comparable periods.

Even more encouraging is the fact that fiscal 1972 proved to be the ninth consecutive year for new highs in sales, earnings and earnings per share. That record further confirms the effectiveness of a long-range program launched in 1964—itself a record year for sales and earnings. Since that time, sales have increased by 149 percent, earnings by 242 percent, and earnings per share by 143 percent.

We operated against a background of continuing world-wide inflation, coupled in some areas with lowered economic activity. We countered these potentially adverse factors by means of profit improvement programs in force at all our companies, more aggressive marketing, intensified new product development, and, in some instances, foreign acquisitions that broadened our marketing opportunities.

The year's record establishes beyond doubt the advantages of our multinational position, which finds Heinz more successful than almost all U. S. food processors in its role as a national food company operating in a number of locations around the world, and therefore able to balance setbacks in any one area with gains in others. It is worth noting, for instance, that our British and Canadian companies achieved record sales and earnings, while our Mexican subsidiary recorded a loss of $4.4 million. Notwithstanding the loss in Mexico, our foreign subsidiaries, in the aggregate, increased their contribution to consolidated sales and earnings. That achievement helped to offset conditions in the United States, where new governmental controls slowed the domestic contribution to earnings. The effect of these controls was to place a squeeze on domestic profits, since we endured rises in the costs of materials and were forced to honor labor rates negotiated in earlier contracts, while obtaining only partial price relief under the new guidelines. Management feels that, while it must support the Administration's program in the national interest, the application of profit limitations imposes particular hardships on those companies which—like ours—have been striving to bring their earnings rates up to industry averages.

In addition to the impact of the President's program, a second economic development began to influence management planning. Britain's proposed entry into the Common Market, if it takes place, may have considerable effect on Heinz. In the United Kingdom, there will probably be increased competition from foods produced on the Continent. The price of imported ingredient materials will rise. In the long term, however, we believe that British industry will derive significant advantage from its membership in a large and prosperous economic community, a fact that should enhance the prospects for our British company's growth.

We restructured our World Headquarters operations during the year. We now have two geographical areas, each under a senior vice president. Anthony J. F. O'Reilly heads North America and Pacific. John E. Crossen heads Europe and Latin America.

This action conforms to the philosophy inherent in the company's unique management set-up, under which a small World Headquarters staff plans and co-ordinates on a multinational basis, with individual company managers participating in the establishment of goals and the direction of operations in their own areas. That philosophy continues to be a source of strength as conditions tend more and more to hold out special advantages to the company operating on a world-wide basis. It gives our managers the experience, flexibility and responsibility to react quickly to changing economic situations and new marketing opportunities.

We strengthened our operations within the EEC by restructuring the organization that serves the Dutch, Belgian, German and French markets and by accelerating the profit improvement program in force at our Dutch facility in Elst.

Heinz companies again demonstrated an entrepreneurial approach in the expansion of existing markets and in the development of promising new markets. Specific examples in each area are

discussed in the following pages of this report. Several deserve comment here, since they establish the ability of individual Heinz companies to build for greater growth and profitability through their knowledge of local market conditions.

The Japanese company became profitable for the first time, aided by a strong upsurge in sales. Japan is a promising market for convenience foods, and Heinz now stands in an improved position for profitable growth in that country.

Several companies diversified into new product lines that mesh well with their special capabilities. A most interesting aspect involves ventures into nonfood items. The Italian company introduced a line of infants' wear, capitalizing on its reputation in baby foods. The Australian company, which has a similar reputation, introduced a line of baby care items, including sterilizing solutions, utensils and bibs.

Heinz of Canada entered the frozen food market by acquiring a profitable and well-positioned poultry processor. This move satisfies an over-all policy: to seek out well-managed, profitable units that are compatible with the organization and objectives of the Heinz company making the acquisition.

We made further progress in extending the harvesting cycle of major crops through agricultural research, as well as in more efficient handling techniques for raw materials. In the United States, Heinz suppliers stepped up their adoption of mechanical harvesting and expanded their use of the more efficient and economical bulk-handling method for delivering harvested crops. Measures to develop new and less costly supply sources ranged from the Australian company's pioneering cultivation of navy beans in Queensland to the British company's agricultural efforts in Tanzania, Ethiopia, Greece and Turkey.

Many shareholders have commented on the special sections in last year's report covering the company's response to demands for corporate social responsibility. It should be understood that such activities, while not formally reported before, have characterized Heinz operating philosophy from the company's earliest years. What is involved, therefore, is not so much the initiation of new programs as the description of continuing practices.

This year's report details expansion of company efforts to protect the environment and to aid minority groups and the disadvantaged. In pursuing such efforts, we have not ignored our traditional function: to process high-quality, nourishing foods that help lead to better health and higher living standards and to continue our efforts in the field of nutrition education.

This function, needless to say, requires continued growth and improved profitability, without which we could not sustain our contribution to the economic and social well-being of the countries in which we operate.

Fiscal 1973 is developing as another good year. It is proving once more the efficacy of consciously created sources of strength: maximum local autonomy under the overseership of a relatively small World Headquarters staff—a nucleus of multinationally interchangeable managerial talent—an incentive program that stresses self-development within the company's over-all goals—wide geographical diversification, with strongly established positions in some of the most important international markets—increasing access to dependable, low-cost sources of supply—leadership in agricultural research and technology—and solid skills in production, marketing and distribution.

We take this opportunity to pay special tribute to three corporate officers who retired: William D. Mewhort, senior vice president-finance; Junius F. Allen, senior vice president-Europe; and Ralph W. Hunter, senior vice president and secretary. F. E. Agnew, A. J. F. O'Reilly and S. Donald Wiley were elected as their respective successors, bringing excellent qualifications and experience to their new responsibilities and ensuring an orderly transition in executive leadership.

For our continued success, we owe thanks, as always, for the devotion of our employees and for the support of our shareholders.

Henry J. Heinz II
Chairman

R. Burt Gookin
President and Chief Executive Officer

Chairman Heinz and President Gookin review the events that saw the company reach its goal of $1 billion in annual sales a full year ahead of schedule.

Financial Review

Another Record Year

Heinz achieved record sales, earnings and earnings per share for the ninth consecutive year, entering the rank of distinguished companies with sales in excess of $1 billion. Consolidated sales in fiscal year 1972 were $1,154 million, an increase of 16.6 percent over the previous year. Net earnings for the year reached $42,287,000, a 12.3 percent increase, and primary earnings per share increased 10.7 percent to $2.80.

Because of the decline of the number of convertible preferred shares outstanding, the dilution effect of these shares has become virtually insignificant. On a fully-diluted basis, earnings per share increased 11.6 percent, from $2.50 to $2.79.

Foreign Sales/Earnings

Fiscal year 1972 was a year in which the multinational character of Heinz proved its value. The currency crisis and eventual devaluation of the dollar that occurred during the year gave even greater prominence to the company's successful operations outside the United States. Our foreign affiliates, in the aggregate, grew at a faster rate than our domestic subsidiaries. The table on the opposite page shows the five-year trend in sales and earnings contributions by foreign affiliates versus their domestic counterparts.

Events in recent years indicate that the relationship between the U. S. dollar and the principal foreign currencies will not be a stable one. Because of the company's extensive international operations, an abnormal gain from the appreciation of net current assets abroad was used to create a reserve for foreign operations, augmenting existing reserves for devaluation and foreign currency transactions. Existence of these reserves, aggregating $5.5 million, will buffer the company against the exigencies of international currency fluctuations and other risks of doing business outside the United States.

Quarterly Results

As can be noted in the table below, the company registered improved performance in each quarter during the past year. Because we operate in so many different markets with widely varying seasonal patterns, history has shown that results for any particular quarter are not necessarily reflective of the over-all performance trend for the year. For example, the second quarter results reflected the depressing effect of the price freeze in the United States, whereas the fourth quarter results reflected, more than other quarters, the impact of foreign currency revaluations.

Dividends

The quarterly dividend rate was increased from 25 cents to 26 cents per share on March 8, 1972, bringing the annualized payout to $1.04 per share. Fiscal year 1972 saw the fifth consecutive year in which shareholders received an increase in dividends.

While it has been the practice of the Board of Directors to increase dividends at approximately the same rate as earnings growth, restrictions under Phase II of the President's economic program limited the amount of the latest increase.

Capital Expenditures/Funds Flow

The company spent $31.4 million for property, plant and equipment during the year, a slight increase over last year. Various affiliates are now engaged in a number of major modernization and expansion projects, and it is anticipated that our expenditures will be at even higher levels for the next several years. Specific projects are described in the subsequent sections of this report.

Funds derived from operations during the year amounted to $69.2 million (see "Statements of Consolidated Changes in Financial Position" on page 28). After payment of dividends, these funds were more than sufficient to cover capital expenditures.

Financing Plans

The company's aggregate short-term debt was $120 million at the end of the fiscal year. Of this amount, $85 million represented borrowings by domestic companies. Preparations are now being made to sell publicly $50 million of 25-year debentures, the proceeds from which will be applied to domestic short-term debt. It is anticipated this transaction will be completed in early August.

In anticipation of the offering, two prominent rating agencies have given the securities an Aa/A rating, an affirmation of the quality credit rating the company has in the financial community.

Financial Results by Quarter

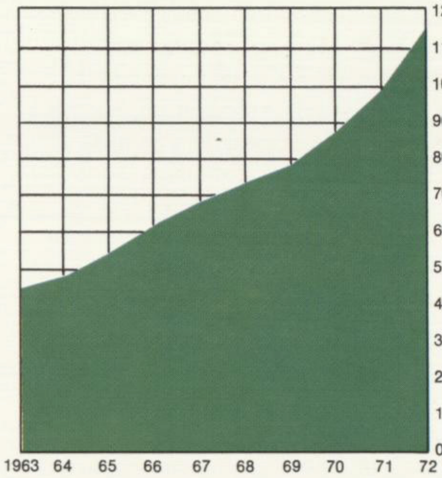
(Thousands of dollars except per share amounts)

	1972			1971			Percentage Increase		
	Net Sales	Net Income	Earnings Per Share	Net Sales	Net Income	Earnings Per Share	Net Sales	Net Income	Earnings Per Share
First	$ 241,032	$ 7,503	$ .50	$208,408	$ 7,038	$ .48	15.7	6.6	4.2
Second	300,979	11,235	.74	276,775	10,465	.71	8.7	7.4	4.2
Third	258,471	6,806	.45	215,553	5,588	.37	19.9	21.8	21.6
Fourth	353,316	16,743	1.11	288,999	14,577	.97	22.3	14.9	14.4
	$1,153,798	$42,287	$2.80	$989,735	$37,668	$2.53	16.6	12.3	10.7

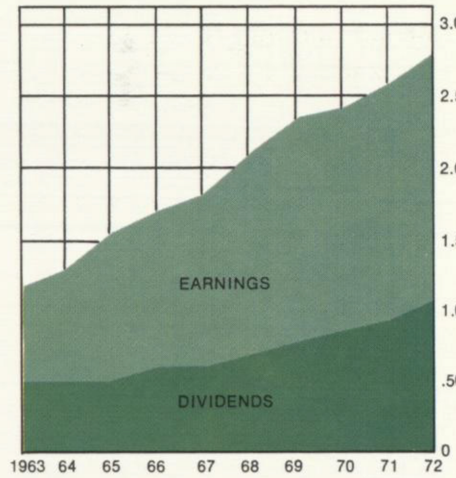
Last Decade

Performance over the past decade is depicted by chart and in the 10-year financial summary to be found on page 32. Since 1963 Heinz has had a compound growth rate in sales of 10.6 percent. Net earnings have increased at the rate of 14.6 percent, while earnings per share have grown 10.4 percent (primary) or 11.7 percent (fully diluted). During that same period dividends per share have more than doubled.

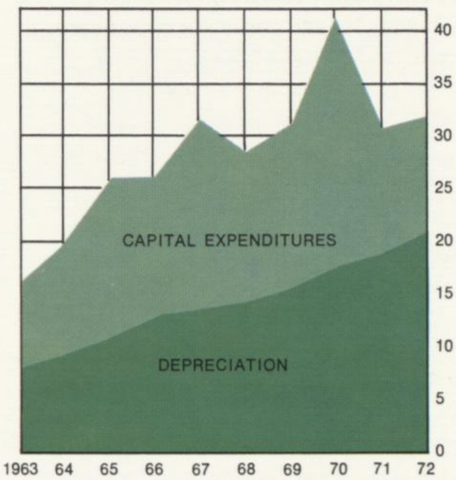
Growth of sales
MILLIONS OF DOLLARS



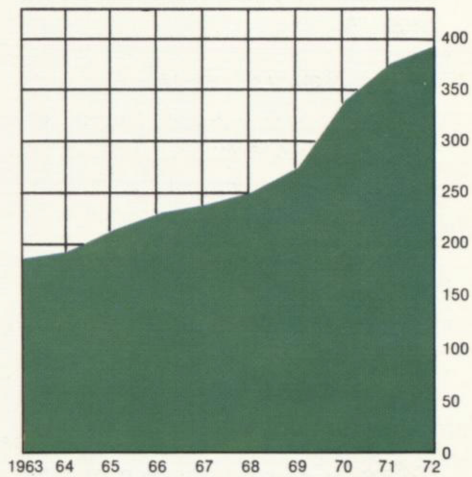
Earnings and dividends per common share



Capital investment in plant and property
MILLIONS OF DOLLARS



Growth of shareholders' equity
MILLIONS OF DOLLARS



Comparison of Foreign and Domestic Sales and Earnings

	1972	1971	1970	1969	1968
Net Sales	**$1,153,798**	$989,735	$881,171	$790,146	$734,365
Foreign	**526,636**	432,985	392,412	347,155	345,781
% of Total ..	**46**	44	44	44	47
Domestic ...	**627,162**	556,750	488,759	442,991	388,584
% of Total ..	**54**	56	56	56	53
Net Income ...	**42,287**	37,668	32,571	28,417 (1)	25,274 (1)
Foreign	**19,802**	16,726	15,196	14,152	14,468
% of Total ..	**47**	44	47	50	57
Domestic ...	**22,485**	20,942	17,375	14,265	10,806
% of Total ..	**53**	56	53	50	43

(1) Before extraordinary items

North America and Pacific

- Heinz U.S.A.
- Star-Kist Foods, Inc.
- Ore-Ida Foods, Inc.
- H. J. Heinz Company of Canada Ltd.
- H. J. Heinz Company Australia Ltd.
- Nichiro Heinz Company Ltd.

Marketing

President Nixon's wage-price policy, announced during the first half of the Heinz fiscal year, dominated all other economic events in the United States. We fully supported the program as a tool to control inflation, which brought about price rises in many raw materials used in quantity by Heinz U.S.A., Ore-Ida and Star-Kist. The new guidelines permitted us to apply for, and receive, price increases on several of our domestic products, to partially offset cost increases. In general, however, the new program had an adverse effect on the basic rate of growth of our domestic operations, even though there was continued strengthening of management expertise and marketing posture.

Heinz U.S.A. further implemented the major reorganization it began in fiscal 1971, with good results in the marketing area. The company created a Business Development Division in order to permit concentration on new opportunities without distracting from the effort required to maintain ongoing business. Establishment of separate marketing-sales divisions for the two major sectors of the business—grocery and foodservice/ private label—helped to build significant increases in market shares for a number of products. In the grocery sector, ketchup again reached an all-time high in share of market. Baby foods moved up to the number two position among national brands. Pickles and vinegar had another good gain, while 57 Sauce also increased its share of market.

The company redesigned Great American Soups labels and sent three new sizes into test markets. Full-flavored tomato joined the existing 18 varieties of this premium soup. In response to consumer preference, the company reformulated its Worcestershire Sauce and changed the package from plastic back to glass.

Heinz is a major purveyor to the highly diversified foodservice market, and company sales continued to grow even faster than the market itself. Ketchup, tomato products and juices showed particularly strong gains. Major success followed introduction of the industry's widest line of soups and entrees in easy-open cans. With 34 soups and entrees, 10 juice varieties and seven desserts, Heinz now offers a more diversified line of self-service foods than any other single source for vending machine operators and other fast-food retailers.

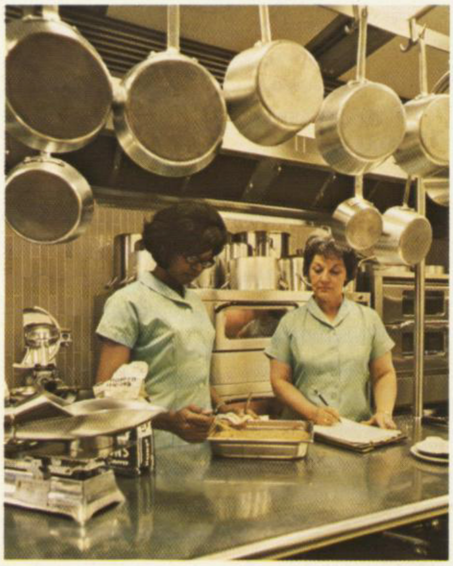
Four ready-to-serve pudding varieties went into national foodservice distribution after favorable acceptance in test markets, and a line of 12 freeze-dried soups reached the test market stage.

Star-Kist Foods recorded substantial gains in volume and in share of market for its tuna products, even though the tuna industry as a whole reported sales down. Since no new tuna products were introduced, and no packaging innovations were made, this better-than-industry showing confirms strong consumer confidence in the Star-Kist brand. A new 10-ounce can of solid white tuna, available in oil or water, was widely marketed late in the fiscal year.

Cat foods, with a 16 percent sales rise, remained one of the fastest-growing sectors of the food processing industry, and the Star-Kist 9-Lives brand again increased its share of this important market. Growing fastest of all is the dry cat food market, which 9-Lives entered with three flavors—beef, tuna, and liver and chicken—each available in two different sizes. The new dry varieties are being strongly promoted on television with the help of Morris, the personality whose promotional work for 9-Lives has made him perhaps the country's best-known cat.

The Ore-Ida product line scored sales gains. Despite intensified competition, the frozen potato line retained its position as the leading brand in its market. Deep Fries, introduced last year as a premium line with outstanding flavor and crispness, moved into national distribution at year end.

Improved packaging design was a major factor in the good showing of both regular and premium lines. Use



Left—Much of the company's work in nutrition begins with the efforts of home economists such as these, shown in our Pittsburgh Foodservice Kitchen.

Center—A new stew package line at Burley, Idaho was part of a renovation program aimed at meeting the demand for Ore-Ida's retail and foodservice products.

Opposite—Our World Headquarters and Research Building is recognized as a leading architectural landmark along the north shore of Pittsburgh's Allegheny River.

of full-color vignettes and a new leaf design strengthened the visual impact of regular Ore-Ida products at the retail level. The Deep Fries package led more than 800 entries to win a Grand Award for frozen food containers, being recognized for "honesty of communication" by the Paper Board Packaging Council of Washington, D.C.

Ore-Ida made a number of organizational changes to improve customer service. It added five new regional sales managers and three regional foodservice managers as a major step toward more efficient product distribution and closer co-ordination with food brokers.

Heinz of Canada registered record sales and profits, and expects this favorable trend to continue as it holds on to strong market positions in such major product groups as ketchup, baby foods, spaghetti and vinegar. The company introduced 18 new varieties during the year, as expansion of its Product Development Research Laboratories signaled increasing emphasis on new products, recipe improvement and nutrition.

Heinz-Canada entered a new and promising market—frozen foods—with the acquisition of Galco Food Products Ltd., a processor of poultry for the foodservice and industrial markets. The subsidiary is expanding its excellent production and marketing facilities in order to offer a growing variety of processed chicken and turkey products.

Heinz-Australia achieved sales gains for all major lines except soups, in spite of a slowdown in consumer demand because of economic recession and continued inflation. Four of the eight major lines held more than half of their respective markets at year end, with Pre-Schoolers foods and an expanded salad line showing sharp increases in sales over the year before.

The company adopted a new marketing set-up, with seven district managers and two area managers. It is expected that the new system, with smaller geographical areas for each supervisor, will bring more efficient marketing and better communication with the sales force.

A major development was diversification into nonfood areas with introduction of a line of baby care items, including baby dishes, feeding bibs, insulated flasks to keep food and formulas warm, and sterilizing solutions for diapers and utensils. The Heinz Baby Club has now enrolled 50 percent of all the babies in Australia, giving the company a strong promotional base for marketing the new product line.

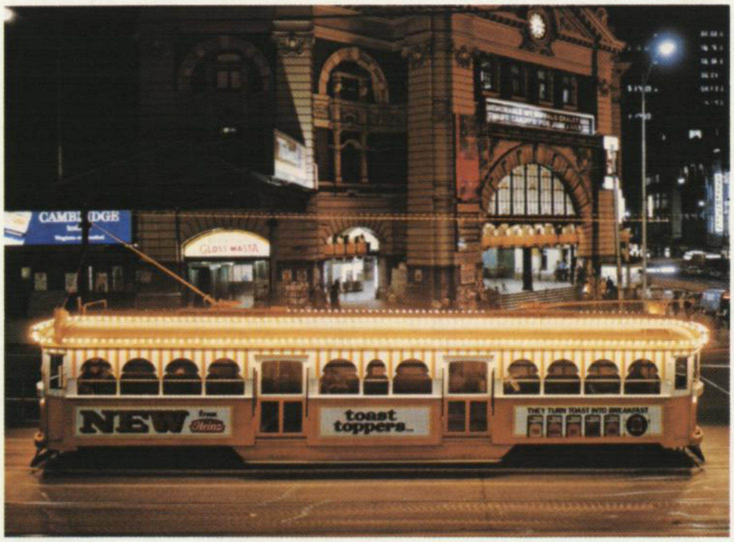
Other new products ushered in during the year included High Alp, a cereal health food now in test markets, and pizza spread, a multipurpose party dip and sandwich filling.

Acquisition of a majority interest in The Stanley Wine Company put Heinz-Australia into a growing market. Stanley is a highly-regarded and profitable producer of quality red and white wines sold in bulk for repackaging or bottled as prestige table varieties sold under the Leasingham label. Strong promotion is expanding the market for Stanley wines.

Below—One of the major features of a Heinz "Big Red" promotion was the Australian company's sponsorship of the Victorian Football League's Night Football competition, publicity from which is credited with helping to achieve a significant increase in total sales of Heinz tomato products in that country.

A brightly lighted tram served as a traveling billboard for Heinz-Australia's toast toppers, making a daily circuit of Melbourne for a four-week period during the 1971 winter season.

Opposite—Star-Kist registered a better-than-industry showing as it improved its position in the tuna market. Seen here is part of a prize catch of "yellowfins" being unloaded at the Star-Kist Caribe docks in Mayaguez, Puerto Rico.



Nichiro Heinz turned the corner to become profitable for the first time in its 10-year history, stimulated by a strong growth in sales. In doing so, it successfully countered a nationwide trend. The Japanese economy, which had been growing at a remarkable rate, slowed down during fiscal 1972, while inflationary tendencies became more pronounced, particularly in the food industry.

A complete reorganization of the sales and marketing operations, initiated five years ago, has enabled the company to serve both the foodservice and grocery markets more efficiently.

Part of the credit for the year's excellent performance goes to introduction of new products and extension of grocery and foodservice lines. New products included curry sauce for foodservice customers, and two new soups—cream of potage and cream of chicken curry—for the grocery trade. Condensed soups saw a sales growth of 53 percent in 30-ounce cans for hotels and restaurants and of 84 and 243 percent for smaller sizes aimed at the grocery trade.

Nichiro Heinz took advantage of a rare promotional opportunity by offering hot soup at the Winter Olympics, held in Sapporo. Dispensed from special containers carried by uniformed vendors, Heinz soup was virtually the only hot drink available to the chilled spectators. It proved so popular that customers were willing to wait for up to 30 minutes to be served. All media reported on Heinz success at the games, which were seen by millions of televison viewers around the world.

Facilities

Heinz U.S.A. made a number of major capital investments to preserve the momentum of its long-range program for more efficient production through constant upgrading of plants and equipment. New or improved facilities included additional tomato paste storage tanks at Tracy, California; new chicken processing equipment at Tracy, Pittsburgh, and Muscatine, Iowa; and equipment to increase strained food capacity at Pittsburgh. At the Holland, Michigan pickle plant, a new packer automated a difficult production task. The machine receives pickles cut to a predetermined length, slices them lengthwise into equal parts, and then positions the slices in the bottle in a manner to increase consumer appeal.

The eighth of 11 finished goods distribution centers, planned as part of a modern national network, opened in Iowa City, Iowa. This 350,000-square-foot facility—the equivalent of more than eight acres in area—is the largest such center ever built by Heinz. It will offer improved service at lower cost for grocery and foodservice customers in several Midwest states. The next distribution center, scheduled to be completed early in fiscal 1973 in New Arlington, Texas, will triple Heinz warehouse capacity in that state.

Ore-Ida expanded its pilot plant facilities to permit production of new items for test markets without interrupting high-volume output of established lines. The new facilities, scheduled for operational start-up early in fiscal 1973, will strengthen Ore-Ida's ability to provide new products in the varying quantities required for individual test markets.

Ore-Ida's factory in Burley, Idaho completed renovation of packaging machines for retail and foodservice products.

Star-Kist developed automated and continuous production lines for cat foods and is working on new tuna production equipment, some patents for which have been granted while others are in progress.

Agriculture

Heinz U.S.A. made advances in agriculture on a number of fronts. Crop delivery by the bulk handling method, which is more efficient and less costly, continued to increase. Almost half of the division's tomato supplies were received by this method, marking good progress in a four-year program whose goal for 1973 is a further increase to 69 percent.

Bottom left—Mechanical harvesting now covers 38 percent of the cucumber crop supplied to Heinz U.S.A.

Bottom right—The success of ready-to-serve soups helped Nichiro Heinz toward its first profitable year. This billboard stood for seven months in Yuraku-cho, one of Tokyo's busiest intersections, and was seen by millions of passersby.

Opposite—Star-Kist's well-known tuna character and frustrated television performer, Charlie, this time in the form of a camera, seemed perfectly at home in Pittsburgh's Children's Zoo.

Bulk handling accounted for 28 percent of the cucumber crop grown for Heinz, a figure also scheduled to climb.

Mechanical harvesting spread still further, covering 64 percent of the tomato acreage under cultivation for Heinz U.S.A. and 38 percent of the cucumber crop. In California, both crops are now picked entirely by machine.

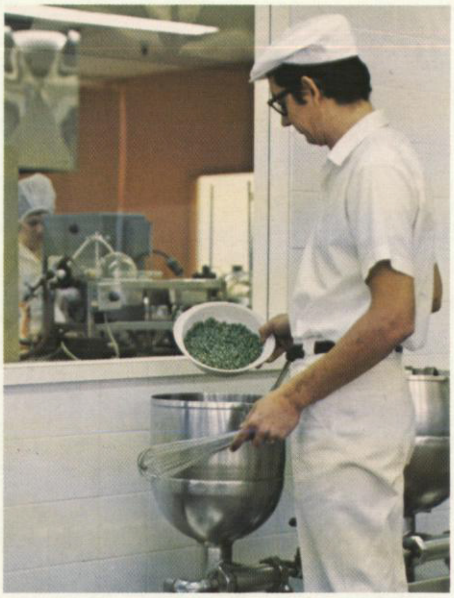
As part of its program to expand mechanical harvesting among grower-suppliers, Heinz U.S.A. initiated Project 20, named for the agricultural specialists, all under the age of 30, who traveled to a number of states to conduct in-depth interviews with tomato and cucumber growers. The young specialists sought out the specific problems involved in conversion to mechanical harvesting and then offered practical assistance, sometimes in special meetings held to discuss production techniques. Their findings have been disseminated among growers and are expected to increase the acreage under mechanical harvesting by as much as 200 percent in the Midwest and East and mechanically harvested crop yields by as much as 400 percent.

Ore-Ida began a number of experimental projects designed to maintain the quality of its raw materials at the highest possible level. These projects included work to develop better potato handling and storage methods, a new system for unloading and cleaning potatoes prior to storage, and a new technique for storing onions under optimum conditions before processing.

Heinz of Canada enjoyed one of the most productive harvests in its history. Last fall the company demonstrated a new mechanical harvester to some 600 of its tomato growers, a number of whom adopted the machine, thus becoming the first Canadian farmers to use this advanced technique. Many more are expected to follow suit during the current fiscal year. Growers are stepping up their use of bulk handling, as two-thirds of the tomatoes received by Heinz-Canada last year were delivered by this method.

The Australian company's past efforts to develop and cultivate sturdier, moisture-resistant tomato varieties helped to maintain supplies during the fiscal 1972 growing season, which was hampered by heavy rains and flooding in some areas. Heinz research is now working on tomato varieties suitable for machine harvesting in Australia's difficult climate. New strains developed for this purpose will be grown under field conditions during the coming season. Wider application of the bulk-handling method for tomatoes brought major labor savings and faster turnaround of delivery trucks.

In an effort to make the country free of dependence upon foreign sources, Heinz-Australia, in co-operation with the Queensland Navy Bean Board, has been successfully developing navy bean crops in Southern Queensland, thereby stimulating that area's economy and opening up a new and more economical source of supply for the company, which will be completely independent of outside sources for navy beans during the current fiscal year.



Public Service

For almost a century, Heinz U.S.A. has concentrated its public service efforts in the area of consumer protection, sponsoring pure food legislation and improving diet through pioneering leadership in nutrition. A comprehensive Quality Assurance Audit now covers all operations. Another special program enlists the co-operation of all factory employees in the drive to maintain quality standards. In addition, the company played an active role in development of the National Canners Association "Better Process Control" project, which focuses on bacteriological safety.

Heinz U.S.A. has expanded the scope of its efforts in order to cover other problems that greatly concern Americans in the 1970s. On the question of the environment, one of the most crucial problems of our time, the company has stated its determination to work with local governments to develop and support improved waste disposal systems. A number of new installations will ensure continued compliance with acceptable air and water pollution control standards.

Specific measures undertaken last year in the company's multimillion dollar environmental protection program are too numerous to list here, but the following examples are typical:

- In Pittsburgh, a $1.5 million air pollution control program and a grant to the Group for Recycling in Pennsylvania (GRIP) for construction

Top—The Canadian company, in its new experimental kitchens and research laboratories, follows standards and procedures typical of Heinz operations around the world.

Bottom—Heinz U.S.A. placed a line of 12 freeze-dried soups into test markets. End-users, distributors and others were introduced to the new products through a series of "Souper Kettle Klatches," at lunches and dinners in three foodservice districts.

Opposite—"An unqualified success" —those were the words used to describe the promotion in which vendors carrying special containers dispensed consomme to spectators at the Winter Olympics in Sapporo, Japan. The only hot drink available to the chilled observers, the soup won praise in subsequent television, radio and press commentary.


HEINZ
SOUP

of a headquarters structure and other facilities.

- In Muscatine, Iowa and Tracy, California, joint efforts with local governments and other industries to develop advanced waste treatment facilities.
- In Fremont, Ohio and Chambersburg, Pennsylvania, installation of new stack emission controls.
- In Bowling Green, Ohio, conversion of coal-fired burners to oil and gas.

The company has intensified its efforts to create greater opportunities for the disadvantaged. It stepped up hiring of minority group members and worked to advance those already employed. The minority relations program also includes a project to provide food on a regular basis to various community groups and supports a number of black organizations devoted to public service, including a group of black Heinz employees who have established a guidance program called the Youth Motivation Task Force.

The company's work in nutrition received continued attention. Heinz U.S.A. supplies a regular flow of information to consumers, by direct replies to individual inquiries and through free distribution of the company-published "Facts About Foods." For physicians, dietitians and other professionals, the company publishes and distributes "Nutritional Data," a classic reference work recently revised to incorporate the latest advances in knowledge. It is developing a nutrition education program to be used in high school home economics classes and extension services, and a nutritional information program for low-income consumers.

The H. J. Heinz Company Foundation launched a program during the year under which the Foundation matches on a dollar-for-dollar basis ($1,000 maximum) all contributions by employees of all U.S.A. domestic subsidiaries to institutions of higher learning.

Ore-Ida continued its work on behalf of environmental protection at its plant communities. The waste treatment facility at Burley, Idaho was completed at a cost of more than $500,000. At the Ontario, Oregon plant, the company installed a new incinerator for pollution-free burning of solid waste and works with Oregon officials to test new methods of waste treatment. All factory locations introduced noise-abatement programs.

Heinz of Canada completed construction of a new waste water purification plant in time for the 1971 harvest season, a major factor in the control of the entire waste water problem at Leamington, home of its manufacturing operations. It spent considerable sums for effluent control and waste disposal, and put into motion further pollution abatement programs involving the installation of new smoke control devices and conversion to low-pollution fuels. Other environmental control projects are in the planning stage.

Heinz of Australia extended its activities in support of medical and nursing research programs. The company tackled a controversial subject—the effect of salt on the human body—when, in association with the University of Melbourne and the Howard Florey Institute of Experimental Physiology and Medicine, it awarded a three-year scholarship to Dr. Edward Blaine of the University of Missouri. Dr. Blaine's research will include the study of salt-depleted animals in the Snowy Mountain region of Australia. It is hoped that his findings will help to establish guidelines on salt levels needed for optimum human nutrition under various temperature-humidity conditions.

Shirley Dawson, Matron of the Victorian School for Deaf Children, won the seventh annual Heinz Overseas Scholarship for Nurses. She will study the education and treatment of deaf children in Scandinavia, the United States and the United Kingdom. Upon her return to Australia, she will publish a report for professional organizations and individuals working in the field.

Bottom left—Nichiro Heinz promoted ready-to-serve soups in Japan's popular coffee and snack shops by offering "stamps" in return for labels. Responses to the offer continued for as long as three months after the promotion had ended.

Bottom right—Dry varieties are currently pacing the cat food market, and Star-Kist, after years of development, entered the arena with three flavors proved to be superior in palatability.

Opposite—Heinz-Australia diversified into the nonfood field with a line of baby care items. The range is being promoted through the Heinz Baby Club, which has already enrolled half of the nation's infants. One of the most successful items in the new line is a bib with a curved trough to capture the inevitable spills.

Europe and Latin America

- H. J. Heinz Company and subsidiaries (Great Britain)
- Societa del Plasmon S.p.A. (Italy)
- European Economic Community Organization, including H. J. Heinz N.V. (The Netherlands)
- Industrias de Alimentacao Limitada (Portugal)
- Alimentos Heinz C.A. (Venezuela)
- Heinz Alimentos S.A. de C.V. (Mexico)

Marketing

Heinz-Britain again improved its results. It reacted vigorously to counter the effects of continued wage and price inflation, high unemployment, rising world prices for raw materials and curtailed power supplies during the national strike of coal miners. Continued emphasis on profit improvement and new products, intensive marketing of established and new products, and increased use of television advertising all contributed to another successful year.

Sales of ketchup and baked beans with sausages, backed by strong television advertising, enjoyed increases well beyond their normal annual rates. Similar results were achieved for mayonnaise-based spreads in selected test areas, with plans under way for further expansion.

An advertising campaign that stressed the unique nutritional values of processed infant foods as against the home-prepared equivalent helped to maintain sales in the face of a declining birthrate. Spaghetti varieties recorded a strong increase after relabeling. New packaging and product improvements for sponge puddings are expected to spur long-term sales.

New products introduced in fiscal 1972 included toast toppers, a range of snack spreads finding excellent acceptance in test markets; three new toddler varieties; and baked beans with baconburgers, which accommodate a national trend toward higher-protein convenience foods. The last-named product is now in national distribution.

Catering (foodservice) business continued to advance as products marketed under the Heinz, Pickerings and Heinz-Erin labels recorded a 25 percent sales increase. New items are being developed for this market by Steralcon Food Products Ltd., a unit established jointly with the Swiss Aluminum Company to test the United Kingdom sales potential of laminated aluminum containers. These tray-shaped containers incorporate a new technology, developed by Steralcon, which permits rapid sterilization of the product and hence much higher flavor retention. Heinz has created ten reciped convenience entrees for Steralcon test marketing.

Heinz-Erin introduced quick-dried sliced onions for the retail market, celery sticks in brine and two new dehydrated soup packs for the catering trade.

Heinz-Britain made further progress toward integrating recent acquisitions into over-all operations and improving their profitability. W. Darlington and Sons Ltd., which holds a significant share of the British mushroom and mushroom spawn market, reported a successful year. The Pickerings milk factory at Coleraine, Northern Ireland, made an important contribution with aseptically canned dairy custard and rice pudding with cream, both now in national distribution, with excellent consumer acceptance. Marketing people generally regard the new dairy custard as the outstanding success story in desserts of the past decade.

In Italy, Plasmon recorded a substantial sales increase through strong promotion of existing product lines and the introduction of several new products, including Vesti e Gioca baby clothes, the company's first nonfood venture. It did so in a year during which Italy's economic growth decelerated and some major sectors of the economy were in recession, while consumer prices continued to rise.

New food products launched during the year included our first line for adults—dietetic crackers endorsed by the Ministry of Health as a high-protein, low-fat bread substitute; and mineral water for very young infants. The company introduced creamy baby soups and semolina products in response to consumer demand for nutritious, easy-to-prepare foods. Three new varieties joined the renewed line of Mineplasmon precooked meals for infants. The well-established baby biscuit and baby fruit juice product groups continued to fare well, each recording significant sales gains. A promotion in which one million Italian youngsters donned Plasmon T-shirts spread the company's name to every corner of the country.

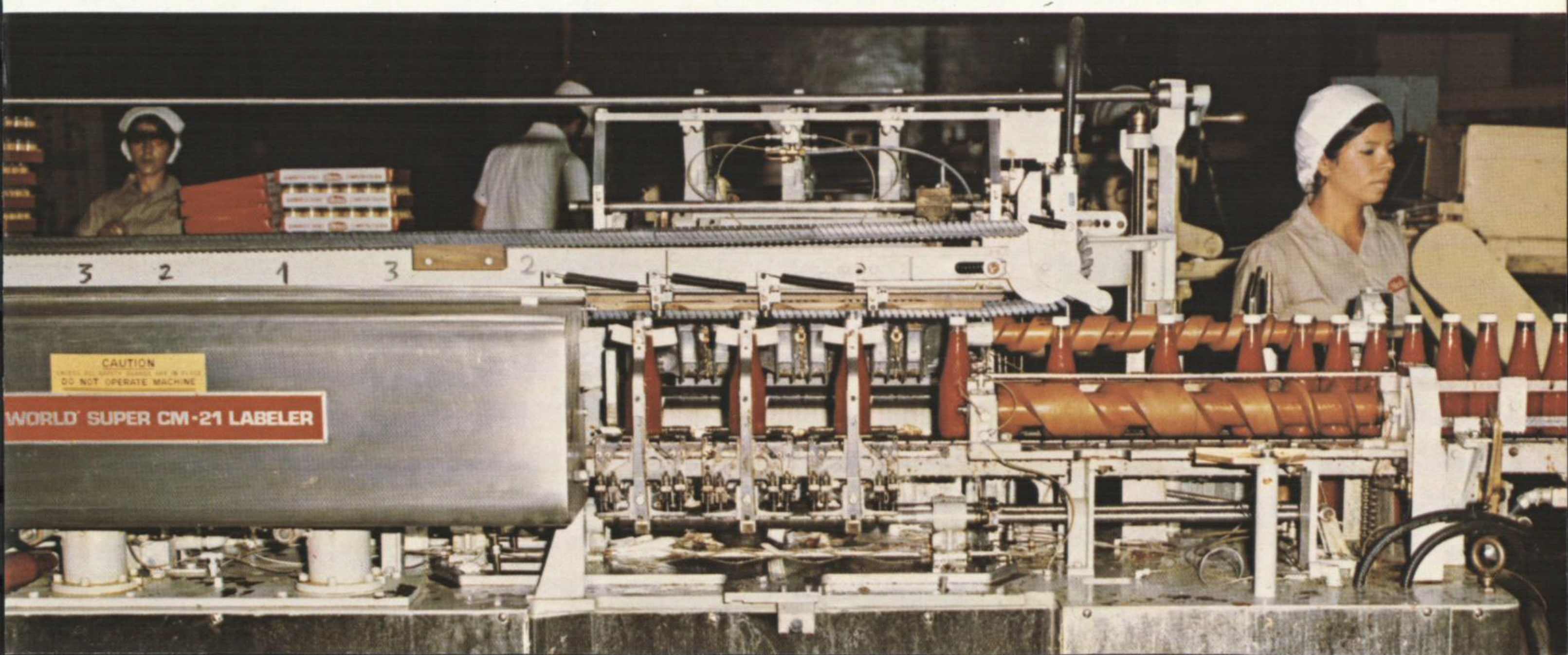
The Heinz European Economic Community Organization accelerated its program to increase productivity at the Elst plant in The Netherlands. It effected reorganization at all levels, including separation of the Belgian company from Dutch management. Indications are that these changes will strengthen management of E.E.C. developmental activity, particularly in sales and marketing locations in Holland, France, West Germany and Belgium.

Ketchup sales recorded good increases. A new variety, curry ketchup, entered EEC markets. Particular attention is being devoted to France, which has

Left—Plasmon's first nonfood products included a line of baby garments designed to ensure comfort and freedom of movement.

Opposite, top—Huge quantities of cheese are produced at the Pickerings factory in Coleraine, Northern Ireland.

Opposite, bottom—The Venezuelan company installed a new machine that labels bottles immediately as they come off the production line, at the rate of three units per second.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CAUTION
DO NOT OPERATE MACHINE
WORLD SUPER CM-21 LABELER

been undergoing a marketing revolution, shifting almost overnight from typically small establishments to huge shopping centers of the 100,000-square-foot "Carrefour" type. There is evidence that Heinz ketchup, under these conditions, is effectively making the transition from a low-volume specialty to a mass-marketed product that should do well in the new outlets.

The Portuguese company, a major source of tomato puree for Heinz European operations, is working to reduce costs and expects improved results in the near future, after a year of poor tomato harvests, rising costs and wages, and a shortage of skilled workers. The company changed its domestic market distribution system from direct selling to the use of agents. A qualified marketing manager with experience in both our British and Japanese companies now heads marketing operations. Round peeled tomatoes went into domestic test markets and the company's new product development program is expected to have additional items ready for introduction within a short time.

The Venezuelan company completely reorganized its sales and marketing organization for improved trade contacts, particularly with the increasingly important supermarket and chain outlets. It reported good results from a program to improve the recipes, as well as the eye appeal, of its products. Adoption of new labels using the traditional Heinz keystone helped to increase sales of salad varieties by 50 percent. New recipes for spaghetti sauce and canned salads won consumer preference tests two to one, a result reflected in rising sales. The company launched a strong advertising campaign to preserve its market leadership in ketchup. Marmalades and mild mustard, both introduced regionally last year, are now in national distribution, with good customer acceptance. Organization of a Research and New Product Development Division reflected the company's emphasis on innovation.

A slowdown in growth of Mexico's gross national product, along with restrictions on government spending, contributed to the atmosphere in which Heinz Alimentos remained highly unprofitable during the year. The Mexican company undertook complete reorganization of all its operations. In the marketing area, it emphasized competitive pricing, stronger promotion and more efficient and economical selling methods. While primary efforts were devoted to strengthening the market position of established lines, two new products emerged: pineapple tidbits, once restricted to export sales, for domestic consumption; and Poblano shells and slices, ingredients for a popular Mexican dish, which were not formerly available as a convenience product.

Facilities

Heinz-Britain built a number of new facilities to increase production and effect operating economies. A new tomato ketchup line at the Harlesden plant will meet requirements for the next ten years. A can-making line at the same plant is expected to create savings greater than the cost of installation during its first year of operation. The Kitt Green plant installed semiautomatic palletizers and expanded production facilities for canned beefburgers, which have met strong consumer demand since their national launch last year. A new administration building under construction at Hayes Park will house the Pickerings group and several headquarters departments. A new warehouse and sales offices in Edinburgh replaced several smaller Scottish properties and now serve an expanding market within a 70-mile radius.

Such physical facilities promote operating efficiency. So does employee ingenuity. A 23-year veteran at the Standish factory devised a method for conveying tomato paste cans in a continuous cycle, by means of pneumatic controls, to the piercing heads of can openers. The potential savings in labor costs brought him the highest award ($7,830) ever presented by the British company under its suggestion program, instituted in 1949.

The Dutch company pursued an accel-

Left—The Portuguese company introduced round peeled tomatoes into test markets, with "Guloso Girls" personally selling the product in stores.

Right—The "Ambrogino d'Oro," an ancient Milanese gold coin, was presented to Plasmon as a sign of the city's esteem.

Opposite, top—Heinz-Britain entered into a new joint venture, Steralcon Food Products Ltd. A special Steralcon container, intended to replace conventional cans, uses a lift-off cover that permits quicker sterilization and higher quality of contents.

Opposite, bottom—Catering (food-service) products offered by Heinz-Britain and associated companies made a strong advance in sales.


HEINZ Catering Size STEWED STEAK WITH GRAVY Ready to Serve 57 VARIETIES
HEINZ Catering Size CHICKEN IN BROWN SAUCE Ready to Serve 57 VARIETIES
HEINZ Catering Size STEWED STEAK & KIDNEY WITH GRAVY Ready to Serve 57 VARIETIES
Erin Beef Curry
Erin Spring Vegetable Soup
HEINZ Restaurant Pack Vegetable soup CONDENSED
HEINZ Restaurant Pack Cream of Tomato soup CONDENSED
HEINZ Restaurant Pack Cream of Mushroom soup CONDENSED
HEINZ Restaurant Pack Minestrone soup CONDENSED
Erin Minestrone Soup
Erin Vegetable and Prawn Curry
P CHERRY PIE FILLING
Erin Whip Supreme
HEINZ CREAMED RICE PUDDING 57 VARIETIES
HEINZ INSTANT COFFEE 57 VARIETIES
Erin Whip Supreme
P APPLE PIE FILLING
HEINZ 57 SALAD CREAM
HEINZ TOMATO KETCHUP
Erin Instant dried mashed potato
Makes 14lb prepared potato
HEINZ BAKED BEANS with tomato sauce 57
Erin Irish New Potatoes
P Pickerin
CATERING SIZE
FRESH GARD
PEAS
Pickerings Foods Limited, Hayes Gate House, Hayes, Middlesex.
HEINZ MALT VINEGA
ONE GALLO
HEINZ IDEAL SAUCE 57 VARIETIES
HEINZ TOMATO JUICE
HEINZ TOMATO JUICE 57 VARIETIES

erated investment program to increase productivity. It completed renewal of its ketchup line, installing glass depalletizers and shrink-wrapping equipment. Greater efficiencies permitted the company to reduce direct labor costs significantly.

The Plasmon subsidiary in Italy installed an electronic data processing system that will greatly facilitate planning and will tighten control over inventories and costs. Expansion of the Latina plant, south of Rome, is well under way. This plant, opened in January of 1970, is considered one of the largest and most modern food processing facilities in Europe.

In Venezuela, the Heinz company installed processing equipment to increase the flow of tomatoes into the factory, improve washing of the fruit and achieve considerable savings in tomato solids. A new machine with a capacity of 180 bottles per minute makes it possible to label products as they come off the production line. An increase in spray pond capacity raised evaporator efficiency by 10 percent. Regional warehouses established in Caracas and Barquisimiento will improve delivery times and freight costs. Experience has shown that such warehouses boost sales in the areas they serve, and further openings are planned for Maracaibo and Puerto La Cruz.

The Mexican company implemented a complete reorganization in the interest of more efficient operations. It closed the Salamanca plant, consolidating its activities with those at the Los Robles and Los Mochis plants. During the coming year, there will be only three factories in operation instead of the original five. This concentration of locations is expected to result in major economies and higher productivity. Meanwhile, management continues to examine alternatives that will diminish Mexican losses.

Agriculture

Heinz-Britain continued its efforts to generate better and more economical sources of supply for raw materials. A new domestic source for brined cauliflower made it possible to replace more expensive imports from Holland. Introduction of an Australian variety supplemented production of carrots grown in fenland soils.

Efforts to open up new areas for bean cultivation were extended to Africa, particularly Tanzania and Ethiopia. There was an increase in high-quality, low-cost tomato imports from Greek and Turkish suppliers.

In Portugal, bulk handling methods for harvested tomatoes have proved so successful that the company plans to rely entirely upon this method during the coming season. Experiments will be made in mechanical harvesting of tomatoes. This year's harvest is expected to be better than that of last year, when 10 million tomato plants were destroyed by an unusually late frost.

The Venezuelan company encouraged farmers toward greater acceptance of modern agricultural techniques. Ninety percent of our farmer-suppliers accepted company technical assistance during the year, resulting in significant improvement in tomato yields. In addition, three newly-developed areas for tomato production paid off by providing 35 percent of the year's crop. The company initiated a ground-leveling program with farmers, providing technical advice and making equipment available on a rental basis.

The Piedras Negras experimental farm continued its progress toward development of new tomato varieties and new production techniques, and for the first time successfully tested mechanical transplanting.

In Mexico, Heinz Alimentos made good headway in reducing its direct involvement in farming and in vegetable crop financing. Pineapple contract policies are being revised to reduce the company's risk of financial loss. The year's pea crop was the best in company history.

Public Service

Plasmon preserved a Heinz tradition long recognized in the United States as it strengthened its reputation for pioneer work in the field of nutrition. During a study session on "Nutrition and Young People," sponsored by the Parents and Children National Association, the company received a gold medal award, presented by the Italian Ministry of Health, for its 60 years of service in the development of dietetic foods for children. In March, 1972, Plasmon sponsored a scientific symposium, titled "Plasmon Study Days," on nutritional problems in pediatrics. The symposium, held at the company's Milan research center, brought in 24 noted European specialists as lecturers, and won the praise of Italian pediatricians.

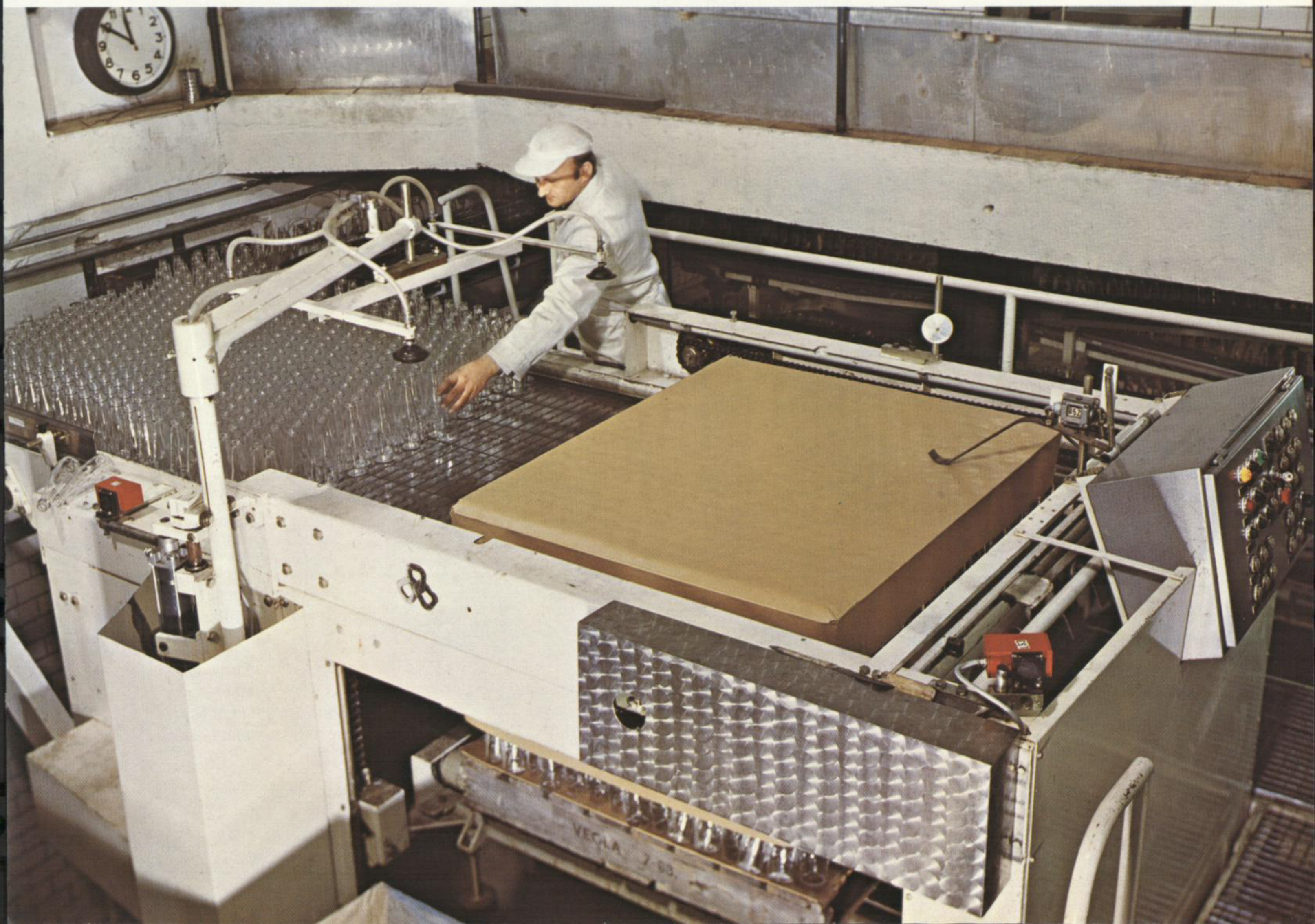
The British company donated $26,000 for special equipment in a 300,000-volume library being built at Brunel University, Uxbridge.

Left—In a typical gathering, members of the British company's Eastern Sales Region met on a Saturday morning in Hayes Park to discuss plans for extending the launch area of rice pudding with cream, a high-quality product now in national distribution.

Opposite, top—New products introduced by the British company during the year contributed to a strong sales performance.

Opposite, bottom—An unscrambling machine at Elst, in The Netherlands, provides for glass bought in bulk to be depalletized by fully automatic equipment.


HEINZ
toast toppers
HEINZ
toast toppers
Chicken & Mushroom
HEINZ
Turkey & Ham
HEINZ
Ham & Cheese
HEINZ
Curried Chicken
HEINZ
LEMON
SPONGE
PUDDING
HEINZ
NEW
DAIRY
CUSTARD
HEINZ
RICE
PUDDING
WITH
CREAM
HEINZ
Ready to serve
Cream of
Vegetable
soup
NEW
HEINZ
Ready to serve
Chicken,
celery & rice
soup
NEW
HEINZ
Ready to serve
Cheese
& onion
soup
NEW
NEW
HEINZ
TODDLER
FOOD
VEGETABLE BROTH WITH
STEAK & KIDNEY
NEW
HEINZ
TODDLER
FOOD
LEMON CREAMED DESSERT
WITH PEARS
NEW
HEINZ
TODDLER
FOOD
LIME CREAMED DESSERT
WITH PEACHES
NEW!
HEINZ
4 BEEFBURGERS
WITH ONION



Assets	May 3, 1972	Apr. 28, 1971
Current assets:		
Cash and short-term investments	**$ 54,634,711**	$ 48,637,375
Accounts and notes receivable:		
Trade	**108,666,044**	109,631,559
Sundry	**12,204,257**	10,851,626
	120,870,301	120,483,185
Inventories—at average cost or market, whichever lower:		
Finished goods	**235,974,423**	213,888,960
Work in process	**14,069,646**	12,426,034
Ingredient and packaging materials	**75,059,695**	71,069,963
	325,103,764	297,384,957
Prepaid insurance, supplies, taxes and sundry	**16,098,198**	13,705,319
Total current assets (Note 2)	**516,706,974**	480,210,836
Investments and other assets:		
Investments in and advances to partnerships, unconsolidated subsidiaries and other companies (at approximate equity)	**7,475,152**	5,681,348
Advances and loans, less allowance for losses	**11,094,443**	6,071,512
Excess of investments in consolidated subsidiaries over net assets at acquisition (Note 1)	**14,088,601**	10,832,315
Miscellaneous other assets	**8,136,329**	7,304,553
	40,794,525	29,889,728
Property, plant and equipment—at cost (Notes 2 and 3):		
Land	**13,819,924**	12,889,793
Buildings and leasehold improvements, less accumulated depreciation of $40,131,452 ($37,009,712 in 1971)	**94,538,435**	93,254,399
Equipment, boats and fixtures, less accumulated depreciation of $136,353,824 ($123,989,697 in 1971)	**137,689,123**	133,454,541
Lug boxes, baskets and pallets, less amortization	**4,647,530**	4,274,846
	250,695,012	243,873,579
	$808,196,511	$753,974,143

See accompanying notes to consolidated financial statements.

Liabilities and Shareholders' Equity	May 3, 1972	Apr. 28, 1971
Current liabilities:		
Short-term borrowings and portion of long-term debt due within one year	$128,217,849	$115,683,902
Accounts payable and accrued expenses	109,557,974	97,833,276
Federal and foreign taxes on income (Note 8)	25,561,396	25,441,104
Total current liabilities	263,337,219	238,958,282
Long-term debt and other liabilities:		
Long-term debt (Note 2)	88,544,030	91,978,517
Liabilities under incentive profit sharing plans, less portion payable within one year	8,617,683	9,555,702
Deferred Federal and foreign taxes on income (Note 3)	13,458,399	12,845,826
Future foreign taxes on income	9,361,350	7,896,739
Sundry	8,064,971	6,783,390
	128,046,433	129,060,174
Reserve for international operations (Note 1)	5,499,045	2,749,655
Minority interests	14,229,683	13,671,875
Shareholders' equity:		
Cumulative preferred stock issuable in series:		
3.65% series (Note 4)	3,235,000	3,289,300
Second cumulative preferred stock, having an involuntary liquidation value of $100 per share or $1,657,300 based on shares outstanding ($2,493,400 in 1971), issuable in series:		
$3.50 first series (Note 4)	51,615	128,927
$3.50 second series (Notes 4 and 5)	254,986	332,353
Common stock (Notes 4 and 5)	62,694,545	62,456,220
Additional capital	56,438,168	55,841,738
Retained earnings (Note 2)	274,409,817	247,485,619
	397,084,131	369,534,157
Commitments and contingencies (Note 8)		
	$808,196,511	$753,974,143

	Fiscal year ended May 3, 1972 (53 Weeks)	Fiscal year ended Apr. 28, 1971 (52 Weeks)
Net sales	**$1,153,797,835**	$989,734,637
Cost of products sold	**745,349,118**	629,632,423
Gross profit	**408,448,717**	360,102,214
Selling, general and administrative expenses, including provision for management incentive plan of $2,744,512 ($2,490,300 in 1971)	**323,221,750**	285,631,434
Operating profit, after provision for depreciation of $20,385,963 ($19,033,256 in 1971) (Note 3)	**85,226,967**	74,470,780
Other income, net	**2,537,031**	2,814,769
	87,763,998	77,285,549
Interest and amortization of debt discount and expense	**13,509,813**	12,348,904
	74,254,185	64,936,645
Provision for Federal, state, U. S. possessions and foreign taxes on income (Note 3)	**30,420,677**	26,815,581
	43,833,508	38,121,064
Deduct Income applicable to minority interests	**1,546,940**	453,005
Net income	**$ 42,286,568**	$ 37,668,059
Net income per common share (Note 7):		
Based on average shares outstanding	**$2.80**	$2.53
Assuming full dilution	**$2.79**	$2.50

See accompanying notes to consolidated financial statements.

Statements of Consolidated Additional Capital and Retained Earnings

	Fiscal year ended	
Additional Capital	**May 3, 1972**	Apr. 28, 1971
Amount at beginning of year	**$ 55,841,738**	$ 53,141,345
Excess of par value of common stock issued over par value of common stock of "pooled" company received in exchange therefor (Note 1)	**—**	(56,017)
Amount at beginning of year, as adjusted	**55,841,738**	53,085,328
Excess of:		
Option price over par value of common shares issued under employees' incentive stock option plan (Note 5)	**552,625**	1,482,524
Par value over cost of preference stock retired (British subsidiary)	**66,757**	55,876
Par value of preferred shares over par value of common shares issued in exchange therefor	**7,516**	48,372
Par value over cost of cumulative preferred stock retired	**22,865**	278,594
Market value over par value of common shares issued to management incentive plan participants	**—**	50,510
Warrant price over par value of stock issued therefor (Note 5)	**—**	822,462
Other	**(53,333)**	18,072
Amount at end of year	**$ 56,438,168**	$ 55,841,738

Retained Earnings		
Amount at beginning of year	**$247,485,619**	$224,452,153
Retained earnings of "pooled" company (Note 1)	**—**	147,042
Amount at beginning of year, as adjusted	**247,485,619**	224,599,195
Add Net income for the year	**42,286,568**	37,668,059
	289,772,187	262,267,254
Deduct Dividends paid:		
On preferred stock:		
3.65% series	**119,423**	130,014
$3.50 series	**64,462**	184,084
	183,885	314,098
On common stock	**15,178,485**	14,467,537
	15,362,370	14,781,635
Amount at end of year	**$274,409,817**	$247,485,619

See accompanying notes to consolidated financial statements.

	Fiscal year ended May 3, 1972	Fiscal year ended Apr. 28, 1971
Funds provided:		
Net income	**$42,286,568**	$37,668,059
Add Charges to income not requiring funds:		
Depreciation	**20,385,963**	19,033,256
Provision for deferred income taxes	**612,573**	1,522,778
Amortization	**1,591,010**	1,406,746
Income applicable to minority interests	**1,546,940**	453,005
Other	**2,746,192**	2,450,731
Funds derived from operations	**69,169,246**	62,534,575
Long-term borrowings	**4,760,890**	—
Exercise of stock options	**643,875**	1,756,733
Exercise of stock purchase warrant	**—**	1,260,905
Other items, net	**2,751,566**	1,394,467
	77,325,577	66,946,680
Funds used:		
Additions to plant and equipment	**31,444,409**	30,994,605
Less Retirements and disposals	**2,558,971**	2,964,769
	28,885,438	28,029,836
Amortization of long-term debt	**8,195,377**	7,559,945
Dividends paid	**15,362,370**	14,781,635
Increase in other assets	**10,904,797**	2,651,856
Decrease in other liabilities	**1,860,394**	2,703,254
	65,208,376	55,726,526
Increase in working capital	**$12,117,201**	$11,220,154
Changes in working capital:		
Increase in current assets:		
Cash and short-term investments	**$ 5,997,336**	$11,076,548
Accounts and notes receivable	**387,116**	20,176,190
Inventories	**27,718,807**	41,825,841
Prepaid expenses	**2,392,879**	1,235,960
	36,496,138	74,314,539
Increase in current liabilities:		
Short-term borrowings and portion of long-term debt due within one year	**12,533,947**	34,202,709
Accounts payable and accrued expenses	**11,724,698**	19,138,344
Federal and foreign income taxes	**120,292**	9,753,332
	24,378,937	63,094,385
Increase in working capital	**$12,117,201**	$11,220,154

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

May 3, 1972 and April 28, 1971

(1) Principles of consolidation:

The consolidated financial statements include the accounts of the Company and all significant domestic and foreign subsidiaries. Consolidated net assets were in companies located as follows:

	May 3, 1972	Apr. 28, 1971
Western Hemisphere:		
United States and its possessions	$220,952,403	$207,595,424
Other	43,316,856	43,005,546
	264,269,259	250,600,970
Eastern Hemisphere:		
British Commonwealth	99,960,926	90,299,574
Other	32,853,946	28,633,613
	132,814,872	118,933,187
	$397,084,131	$369,534,157

Accounts of foreign subsidiaries have been translated at appropriate exchange rates. Realization in U. S. dollars of assets located outside the United States is limited in certain instances by currency and other restrictions. No provision has been made for U. S. or foreign income taxes which may become payable when earnings of foreign subsidiaries are remitted as dividends; as to those subsidiaries where it is contemplated that earnings will be remitted, the credit for foreign taxes already paid generally offsets applicable U. S. income taxes. Operating accounts were translated at average rates of exchange prevailing during the fiscal years, except that, because of the major changes that occurred in the exchange rates of some foreign currencies in fiscal 1972, more realistic results were obtained by translating the operating accounts of the Heinz subsidiaries located in those countries at the new exchange rates that were in effect after such major fluctuations. The net effect of using these rates rather than average rates prevailing during the year did not materially affect consolidated net income.

Unrealized gains or losses on the translation of net current assets of foreign subsidiaries usually have been minor in amount and have been deferred. The devaluation of the dollar in fiscal 1972 resulted in an abnormal unrealized exchange gain of $3,896,000, and such amount was credited to a special reserve for possible abnormal losses on foreign operations ($530,000 was charged against this reserve in fiscal 1972). Net unrealized losses on foreign exchange resulting from the translation of the accounts of the foreign subsidiaries (other than the abnormal unrealized gain on translation of foreign net current assets) amounted to $615,000 in fiscal 1972 ($1,323,032 gain in 1971) and has been charged to a reserve for possible foreign translation gains or losses in accordance with previous accounting practice. These two reserves, plus a reserve of $1,000,000 established in fiscal 1969 for possible foreign currency devaluation comprise the Reserve for International Operations in the amount of $5,499,045 at May 3, 1972, as set forth in the accompanying consolidated balance sheet.

Of the consolidated net income for fiscal 1972, $19,801,578 ($16,725,979 in 1971) originated from subsidiaries located outside the United States and its possessions; dividends received by the Company from such subsidiaries during fiscal 1972 aggregated $10,077,141 ($8,908,192 in 1971).

During fiscal 1971, the Company acquired all of the outstanding shares of a small pet food company in exchange for 37,444 shares of its common stock. The acquisition was accounted for as a pooling of interests.

The excess of investments in consolidated subsidiaries over the net assets acquired prior to 1970 is not being amortized since there is no indication of limited life or diminution in value. The excess cost of investments over the net assets of subsidiaries acquired subsequent to 1970 is being amortized over forty years in accordance with Opinion No. 17 of the Accounting Principles Board of the American Institute of Certified Public Accountants.

(2) Long-term debt:

Details of long-term debt at May 3, 1972 and April 28, 1971 follow:

	Interest per cent	Maturity (fiscal year)	1972	1971
Company:				
Promissory notes	4½%	1973-74	$ 9,000,000	$ 13,000,000
Promissory notes	5¼	1973-84	12,000,000	13,000,000
Promissory notes	6⅝	1979-93	40,000,000	40,000,000
Mortgages	6	1973-75	367,331	516,767
			61,367,331	66,516,767
Subsidiaries:				
Promissory notes:				
Australia	to 6	1973-77	8,300,274	6,024,083
Canada	to 7½	1973-74	1,565,650	2,250,000
England	to 9	1973-76	356,034	2,753,514
Italy	to 4	1974-83	5,644,800	5,644,800
Mexico	to 6	1973-76	2,115,000	3,015,000
Portugal	7¾	1973-77	1,139,600	—
Other	to 7½	1973-76	1,908,578	1,065,882
Debentures—				
England	to 6	1973-85	7,990,625	8,241,011
Mortgages and contracts:				
Domestic	to 7	1973-2000	5,855,649	6,733,123
Other	to 9	1977-80	526,200	526,200
			35,402,410	36,253,613
Total long-term debt			96,769,741	102,770,380
Less Portion due within one year:				
Company			5,153,999	5,149,436
Subsidiaries			3,071,712	5,642,427
			8,225,711	10,791,863
			$88,544,030	$ 91,978,517

Among other restrictions, the agreements relating to the promissory notes of the Company contain provisions against the payment of dividends by the Company upon its common stock (otherwise than in its common stock) if such dividends, together with purchases, payments into the sinking fund and dividends on its presently authorized preferred stock and amounts expended by the Company or any subsidiary for purchase, redemption, retirement or other acquisition of any class of the Company's stock, since May 3, 1967, would exceed the total of the net proceeds to the Company for issues of shares of stock, plus $18,000,000, plus the consolidated net income since May 3, 1967. At May 3, 1972 and April 28, 1971, retained earnings of $164,000,000 and $140,000,000, respectively, were not thereby restricted.

Approximately $35,000,000 of property, plant and equipment of domestic and foreign subsidiaries is subject to liens to secure $10,000,000 of indebtedness of such subsidiaries. In addition, current assets of $104,000,000 and property, plant and equipment of $60,000,000 of certain foreign subsidiaries may become subject to liens to secure indebtedness of $14,000,000 in the event of default under the provisions of the related loan agreements.

Long-term debt incurred by unconsolidated subsidiaries and entities primarily to acquire boats aggregated approximately $21,000,000 at May 3, 1972. The Company and a subsidiary have guaranteed long-term debt of unconsolidated entities and of other third parties approximating $11,600,000 at May 3, 1972 substantially all of which is included in the foregoing $21,000,000.

(3) Depreciation and deferred income taxes:

For financial statement purposes depreciation of property, plant and equipment is provided generally on the straight line basis, whereas for income tax purposes certain equipment is depreciated under accelerated methods. Income taxes applicable to the excess of depreciation used for tax purposes over that provided for financial statement purposes and other differences between taxable income and that reported for financial statement purposes amounted to $612,573 and $1,522,778 in fiscal 1972 and 1971, respectively, and are included in deferred Federal and foreign taxes on income in the balance sheets.

(4) Capital stock:

The number of shares authorized, outstanding, issued, retired, or converted, and the par values are as follows:

	Preferred stocks			
		Second cumulative preferred		
	Cumulative preferred, 3.65% series, $100 par	$3.50 First series, $18.50 par	$3.50 Second series, $18.50 par	Common stock, $4.16⅔ par
Authorized as of:				
April 28, 1971	32,893	6,969	17,965	20,000,000
May 3, 1972	32,350	2,790	13,783	20,000,000
Outstanding, issued, retired, or converted:				
Year ended April 28, 1971:				
Outstanding at beginning	38,859	72,451	36,060	14,419,889
Reacquired and retired	(5,966)	—	—	—
Converted to common stock	—	(65,482)	(27,032)	—
Issued:				
For second cumulative preferred stock:				
$3.50 First series	—	—	—	291,025
$3.50 Second series	—	—	—	108,128
On exercise of stock options	—	—	—	65,810
Under management incentive plan ..	—	—	—	1,651
In exchange for shares of "pooled" company	—	—	—	37,444
On exercise of warrant	—	—	8,937	65,546
Outstanding at end ..	32,893	6,969	17,965	14,989,493
Year ended May 3, 1972:				
Outstanding at beginning	32,893	6,969	17,965	14,989,493
Reacquired and retired	(543)	—	—	—
Converted to common stock	—	(4,179)	(4,182)	—
Issued:				
For second cumulative preferred stock:				
$3.50 First series	—	—	—	18,570
$3.50 Second series	—	—	—	16,728
On exercise of stock options	—	—	—	21,900
Outstanding at end ..	32,350	2,790	13,783	15,046,691

The 3.65% series cumulative preferred stock is callable or redeemable through the sinking fund at $102.75 per share. A payment, not exceeding $200,000, is required to be made to the sinking fund on or before October 1 of each year.

The $3.50 first series second cumulative preferred stock is convertible into common stock at any time prior to June 1, 1973 at an initial conversion rate of 200/45 shares of common stock and may be redeemed by the Company at $100.00 per share. On or before August 1, 1973, and on or before each August 1 thereafter, so long as any shares of this series are outstanding, the Company (as and for an annual sinking fund) shall retire through redemption, purchase or otherwise, shares of this series equal to 2% of the total number of shares outstanding at the close of business on June 1, 1973. Cumulative arrearages as to such retirements are permissible in the event that consolidated net income, less certain deductions, is less than the amount necessary to pay in full all requirements to retire shares of all series of the second cumulative preferred stock.

The $3.50 second series second cumulative preferred stock is convertible into common stock at any time prior to February 1, 1976 at an initial conversion rate of four shares of common stock and may be redeemed by the Company through January 31, 1973 at $102.00 per share and at decreasing prices thereafter. On or before April 1, 1976, and on or before each April 1 thereafter, so long as any shares of this series are outstanding, the Company (as and for an annual sinking fund) shall retire through redemption, purchase or otherwise, shares of this series equal to 2% of the total number of shares outstanding at the close of business on February 1, 1976. Cumulative arrearages as to such retirements are permissible to the same extent as that enumerated above regarding the $3.50 first series second cumulative preferred stock.

At May 3, 1972 and April 28, 1971, there were authorized, but unissued, 100,000 shares of cumulative preferred stock for which the series has not been designated, 1,755 shares of second cumulative preferred stock for which the series has not been designated, and 250,000 shares of third cumulative preferred stock having a par value of $100.00 per share.

At May 3, 1972, 469,622 (526,823 at April 28, 1971) shares of common stock were reserved for conversion of second cumulative preferred stock outstanding and for outstanding options or for the granting of options under the employees' stock option plans.

(5) Employees' stock option plans and stock purchase warrant:

On September 9, 1970, the 1970 Stock Option Plan (1970 Plan) was approved by the shareholders which permits the

granting of options to purchase a maximum of 300,000 shares of common stock of the Company at not less than the fair market value at the time the options are granted for qualified options and non-qualified options to purchase unrestricted shares, and at not less than the fair value (determined by the Executive Compensation Committee) at the time options are granted for non-qualified options to purchase restricted shares. The Committee determines the period during which options are exercisable which may not exceed five years (for qualified options) or ten years (for non-qualified options) from the date of grant. No options may be granted after the expiration date of the Plan, June 9, 1980.

The qualified employees' incentive stock option plan (Plan No. 2), adopted in 1965, permits the granting of options on shares of common stock of the Company at not less than the fair market value at the time the options are granted. The options are exercisable at any time within five years from the date of grant but no later than July 9, 1975, the expiration date of the plan.

Data regarding options granted, exercised, expired and shares reserved for additional grants follow:

	1970 Plan		Plan No. 2	
	Shares	Average prices	Shares	Average prices
For the year ended April 28, 1971:				
Shares under option at beginning	—	—	128,100	$28.30
Options granted	1,000	$31.75	14,000	$31.57
Options exercised	—	—	(65,810)	$26.69
Shares under option at end	1,000	$31.75	76,290	$30.29
Shares reserved for granting of additional options	299,000		47,700	
For the year ended May 3, 1972:				
Shares under option at beginning	1,000	$31.75	76,290	$30.29
Options granted	34,100	$40.92	—	—
Options exercised	1,000	$31.75	20,900	$29.29
Shares under option at end	34,100	$40.92	55,390	$30.67
Shares reserved for granting of additional options	264,900		47,700	

A stock purchase warrant, assumed by the Company in the acquisition of a subsidiary, providing for the purchase by the warrant holder of 65,546 shares of common stock and 8,937 shares of $3.50 second series second cumulative preferred stock of the Company at an aggregate price of $1,260,905 was exercised during fiscal 1971.

(6) Retirement systems:

The Company and its domestic and foreign subsidiaries have several pension plans covering substantially all employees. The total pension expense for fiscal 1972 was $7,003,517 ($5,543,759 in 1971) which includes, as to certain plans, amortization of prior service costs over varying periods not exceeding forty years. It is the policy of the Company and its subsidiaries to fund pension costs as accrued.

(7) Net income per share:

Net income per common share has been computed by dividing net income applicable to common stock by 15,025,539 (14,777,214 in 1971) which represents the weighted average number of shares of common stock outstanding during the respective years. Net income per common share, assuming full dilution, has been determined on the assumption that the second cumulative preferred stock outstanding during each year had been converted into common shares at the beginning of each year and the related dividends eliminated and that stock options have been exercised and the proceeds used to reacquire common stock.

(8) Other matters:

One of the Company's foreign subsidiaries has an unresolved income tax issue involving the tax deductibility of technical service fees it paid to another affiliate during the period from fiscal 1965 through fiscal 1972. The issue is currently in the preliminary stages of litigation and should the subsidiary be unsuccessful in sustaining its position, the tax and interest thereon to May 3, 1972 could aggregate $7,650,000. The Company cannot predict with certainty the outcome of this matter, but, in the opinion of the subsidiary's tax counsel, while it may take a number of years to finally resolve this matter, there is a substantial probability that it will ultimately be resolved in favor of the subsidiary. In view of the uncertainty regarding the outcome of the issue, no provision has been made for additional taxes or interest.

Certain claims filed against the Company and certain of its subsidiaries (other than the matter referred to in the preceding paragraph) have not been finally adjudicated. In the opinion of management, such claims, when finally determined, will have no material adverse effect on the consolidated financial statements.

Contracts and purchase orders approximating $17,000,000 at May 3, 1972 ($6,500,000 in 1971) have been executed in connection with plant construction.

Accountants' Report

The Shareholders
H. J. Heinz Company:

We have examined the consolidated balance sheets of H. J. Heinz Company and consolidated subsidiaries as of May 3, 1972 and April 28, 1971 and the related statements of income, additional capital, retained earnings and changes in financial position for the respective fiscal years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements of certain subsidiaries, which are included in the consolidated statements, were examined by other independent public accountants whose reports have been furnished to us. Net assets and net sales of such subsidiaries constitute approximately 22% and 24% (22% and 23% in 1971), respectively, of the related consolidated figures.

In our opinion, based on our examination and the aforementioned reports of other independent public accountants, the above mentioned financial statements present fairly the financial position of H. J. Heinz Company and consolidated subsidiaries as of May 3, 1972 and April 28, 1971 and the results of their operations and changes in financial position for the respective fiscal years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.

Henry W. Oliver Building
Pittsburgh, Pa. 15222
June 26, 1972

10-Year Financial Summary **H. J. Heinz Company and Consolidated Subsidiaries**

In Thousands of Dollars Except Per Share Data

Fiscal Year	**1972**	1971	1970	1969
Net Sales	**$1,153,798**	$989,735	$881,171	$790,146
Income before Taxes	**74,255**	64,937	55,086	47,541
Taxes on Income	**30,421**	26,816	21,599	18,368
Income before Extraordinary Items	**42,287**	37,668	32,571	28,417
Extraordinary Items	**—**	—	—	59
Net Income	**42,287**	37,668	32,571	28,476
Dividends Paid:				
Preferred	**184**	314	635	1,187
Common	**15,178**	14,468	11,573	9,506
Retained Earnings	**26,925**	22,886	20,363	17,783
Additions to Plant and Equipment	**31,444**	30,995	41,910	31,168
Depreciation	**20,386**	19,033	17,467	15,658
Net Plant and Equipment	**250,695**	243,874	236,408	218,130
Working Capital	**253,370**	241,253	230,032	183,731
Long-Term Debt	**88,544**	91,979	99,538	101,045
Shareholders' Equity	**397,084**	369,534	343,570	277,310
Per Share of Common Stock (4)				
Income before Extraordinary Items	**2.80**	2.53	2.41	2.28
Extraordinary Items	**—**	—	—	.01
Net Income	**2.80**	2.53	2.41	2.29
Income, Assuming Full Dilution (5)				
Income before Extraordinary Items	**2.79**	2.50	2.33	2.13
Extraordinary Items	**—**	—	—	—
Net Income	**2.79**	2.50	2.33	2.13
Dividends	**1.01**	.98	.88	.79½
Retained Earnings	**1.79**	1.55	1.53	1.49½
Book Value (6)	**26.07**	24.27	22.80	20.35
Average Common Shares Outstanding (4 & 7)	**15,025,539**	14,777,214	13,252,859	11,930,741
Number of Common Shareholders	**10,630**	11,133	11,047	9,853
Price of Common Shares				
High	**47.2500**	45.1250	39.0000	36.0000
Low	**38.7500**	28.7500	28.2500	23.5000

(1) 1965 and 1966 figures include, on pooling of interest basis, Ore-Ida Foods, Inc., acquired in October, 1965.

(2) Includes $454,526 paid to former owners of Ore-Ida Foods, Inc.

(3) Includes $623,467 stock and $147,639 cash paid to former owners of Ore-Ida Foods, Inc.

(4) Adjustments have been made for prior years to give effect to the 2-for-1 stock split in February, 1969.

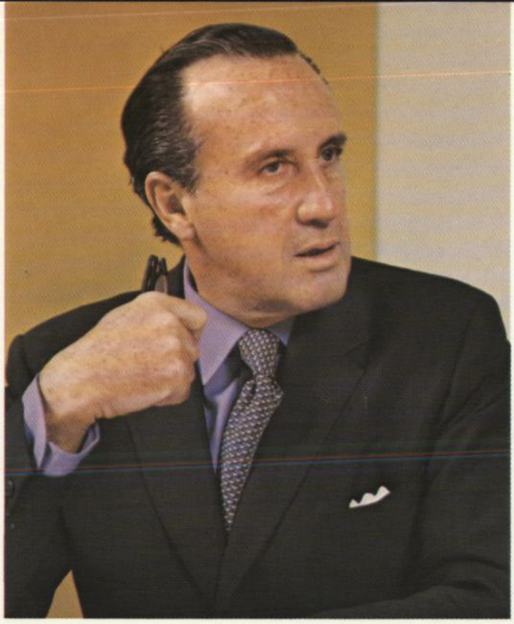
(5) Based on the assumption that the second cumulative preferred stock outstanding during each year had been converted into common shares at the beginning of each year and the related dividends eliminated and that stock options and, for years 1965 to 1970 the stock purchase warrant, have been exercised and the proceeds used to reacquire common stock.

(6) After deducting $100 per share for second cumulative preferred stock outstanding, representing the involuntary liquidation price.

(7) Shares outstanding at year end for 1968 and prior years.

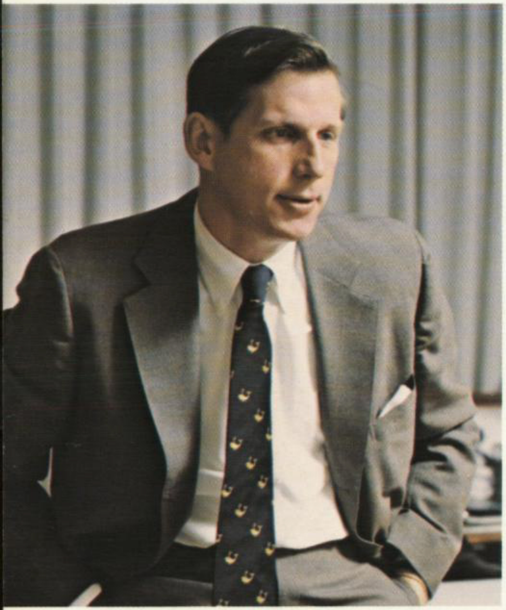
1968	1967	1966(1)	1965(1)	1964	1963
$734,365	$690,863	$620,263	$556,267	$488,211	$464,215
45,254	37,031	35,393	34,711	28,751	25,701
18,969	14,476	13,998	14,370	13,137	12,551
25,274	21,530	20,304	19,219	14,549	12,364
(1,910)	—	—	—	—	—
23,364	21,530	20,304	19,219	14,549	12,364
1,512	1,535	1,362	1,229	1,158	237
7,718	6,839	7,062(2)	6,073(3)	5,276	5,256
14,134	13,156	11,880	11,917	8,115	6,871
28,884	31,887	25,549	25,461	20,509	16,135
14,817	13,646	12,947	10,521	9,179	7,925
205,677	198,157	181,738	172,639	145,552	130,826
181,147	140,680	144,000	144,790	137,564	130,590
103,083	69,594	70,534	75,194	68,073	51,597
255,392	240,549	227,333	216,441	193,687	184,876
2.07	1.76	1.65	1.55	1.27	1.15
(.16)	—	—	—	—	—
1.91	1.76	1.65	1.55	1.27	1.15
1.90	1.63	1.53	1.45	1.21	1.03
(.14)	—	—	—	—	—
1.76	1.63	1.53	1.45	1.21	1.03
.67½	.60	.60	.50	.50	.50
1.23½	1.16	1.05	1.05	.77	.65
18.53	17.27	16.12	15.06	15.02	14.24
11,487,092	11,402,438	11,397,738	11,384,220	10,572,592	10,516,260
9,813	10,767	10,658	8,156	6,983	6,406
25.3750	20.5625	24.6875	27.2500	25.3125	26.9375
17.0625	13.8750	19.3125	18.0625	18.1250	17.0000

World Headquarters Officers



Henry J. Heinz II

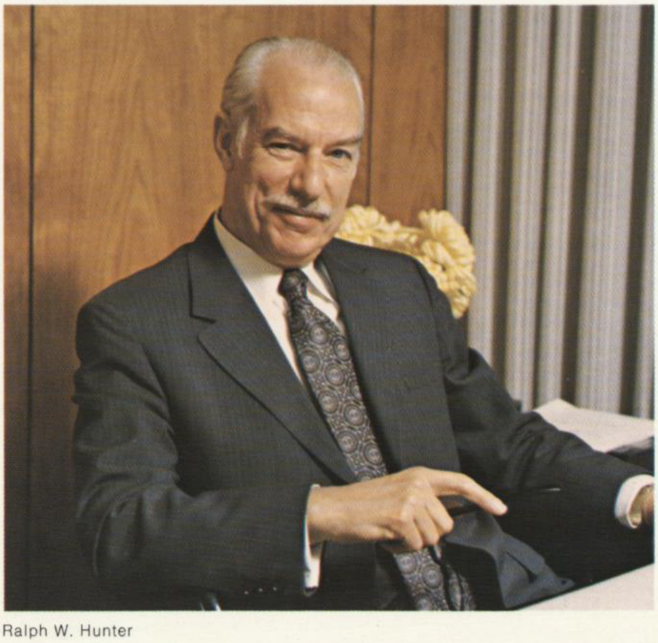
R. Burt Gookin



F. E. Agnew III

John E. Crossen

Frank M. Brettholle



Ralph W. Hunter

Board of Directors

Henry J. Heinz II
Chairman

R. Burt Gookin
President and Chief Executive Officer

F. E. Agnew III
Senior Vice President—Finance

Junius F. Allen
Former Senior Officer
Heinz World Headquarters

Joseph J. Bogdanovich
President, Star-Kist Foods, Inc.

John A. Connell
Managing Director—
H. J. Heinz Company Ltd.

John E. Crossen
Senior Vice President—
Europe and Latin America

Vira I. Heinz
Civic Leader and Trustee,
Howard Heinz Endowment

Ralph W. Hunter
Former Senior Officer
Heinz World Headquarters

Lewis A. Lapham
President, Bankers Trust
New York Corporation
New York, New York

John A. Mayer
Chairman of the Board
Mellon National Bank and Trust Company
Pittsburgh, Pennsylvania

Donald C McVay
Senior Vice President—
Corporate Development

Anthony J. F. O'Reilly
Senior Vice President—
North America and Pacific

John T. Ryan, Jr.
Chairman of the Board
Mine Safety Appliances Company
Pittsburgh, Pennsylvania

William P. Snyder III
President, The Shenango Furnace Company
Pittsburgh, Pennsylvania

S. Donald Wiley
Senior Vice President, Secretary
and General Counsel

Officers

Henry J. Heinz II•
Chairman of the Board

R. Burt Gookin•
President and Chief Executive Officer

F. E. Agnew III•
Senior Vice President—Finance

Frank M. Brettholle
Vice President and
Corporate Controller

John E. Crossen•
Senior Vice President—Europe and
Latin America

Ralph W. Hunter•*
Senior Vice President and
Secretary

Donald C McVay•
Senior Vice President—
Corporate Development

Anthony J. F .O'Reilly•
Senior Vice President—
North America and Pacific

S. Donald Wiley•**
Vice President and
General Counsel

Richard M. Wilson
Treasurer

•Member of the Executive Committee
*Retired June 30, 1972.
**Elected Senior Vice President, Secretary and General Counsel, effective July 1, 1972.

Registrars

Morgan Guaranty Trust Company of
New York, New York

Pittsburgh National Bank
Pittsburgh, Pennsylvania

Transfer Agents

First National City Bank
New York, New York

Mellon National Bank and Trust Company
Pittsburgh, Pennsylvania

Dividend Disbursing Agent

Mellon National Bank and Trust Company
Pittsburgh, Pennsylvania

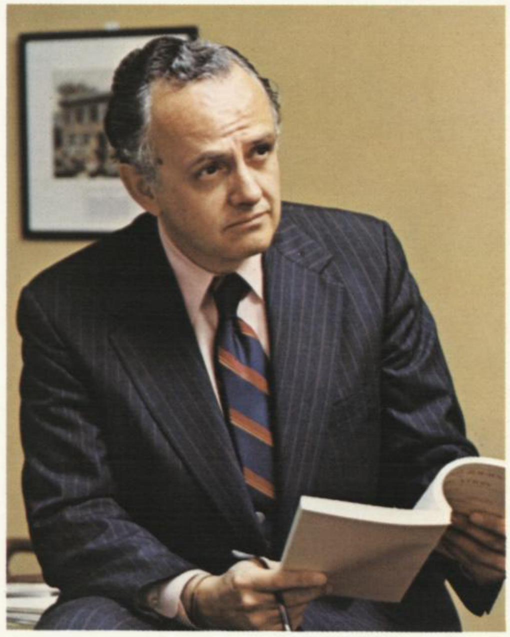
Auditors

Peat, Marwick, Mitchell & Co.
Pittsburgh, Pennsylvania

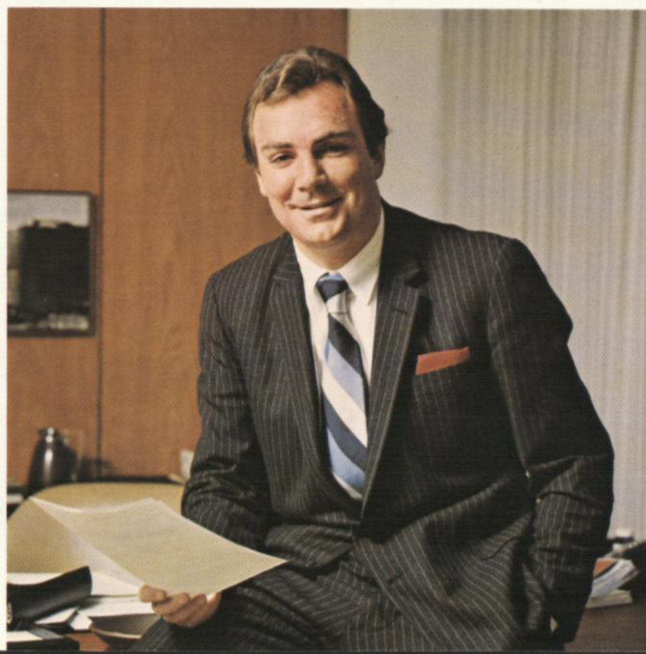
Stock Listing

New York Stock Exchange
Ticker Symbol HNZ


Richard M. Wilson


S. Donald Wiley

Donald C McVay


Anthony J. F. O'Reilly


World Locations

World Headquarters

P. O. Box 57
Pittsburgh, Pa. 15230

North America and Pacific

Heinz U.S.A. Division
Pittsburgh, Pa.
J. Richard Grieb, President

Factories:
- Salem, N. J.
- Chambersburg, Pa.
- Pittsburgh, Pa.
- Winchester, Va.
- Fremont, Ohio
- Bowling Green, Ohio
- Holland, Mich.
- Lakeview, Mich.
- Muscatine, Iowa
- Tracy, Calif.
- Stockton, Calif.

Star-Kist Foods, Inc.
Terminal Island, Calif.

Wholly-owned subsidiary;
acquired in 1963.
Joseph J. Bogdanovich, President

Factories:
- Terminal Island, Calif.
- Ilo, Peru
- Coishco, Peru
- Pago Pago, American Samoa
- Mayaguez, Puerto Rico

Cold Storage Stations:
- Senegal
- Ghana
- Liberia
- Republic of the Congo
- Paita, Peru

Ore-Ida Foods, Inc.
Boise, Idaho

Wholly-owned subsidiary;
acquired in 1965.
Robert K. Pedersen, President

Factories:
- Ontario, Ore.
- Burley, Ida.
- Greenville, Mich.

H. J. Heinz Company Australia Ltd.
Dandenong, Victoria

Wholly-owned subsidiary;
established in 1935.
Fred V. Kellow, Managing Director

Factory:
- Dandenong, Victoria

The Stanley Wine Company Pty. Ltd.
Clare, South Australia

75% owned by H. J. Heinz Company
Australia Ltd.; acquired in 1971.
Fred V. Kellow, Managing Director

H. J. Heinz Company of Canada Ltd.
Toronto, Ontario

Wholly-owned subsidiary;
established in 1909.
Albert Forsyth, President

Factory:
- Leamington, Ont.

Galco Food Products Ltd.
Toronto, Ontario

Wholly-owned subsidiary of H. J. Heinz
Company of Canada Ltd.; acquired in 1971.
H. Gallinger, President

Nichiro Heinz Company Ltd.
Tokyo, Japan

80% Heinz owned;
established in 1961.
Kazuo Asai, President

Factory:
- Kurihama

Europe and Latin America

Alimentos Heinz C.A.
Valencia, Carabobo, Venezuela

Wholly-owned subsidiary;
established in 1959.
John Johnson, President

Factory:
- San Joaquin, Carabobo

Heinz Alimentos S.A. de C.V.
Mexico City, Mexico

80% Heinz owned; acquired in 1963.
Manuel Albarran, President

Factories:
- Los Robles, Veracruz
- Loma Bonita, Oaxaca
- Los Mochis, Sinaloa

H. J. Heinz Company Ltd.
Hayes, Middlesex, England

91.17% Heinz owned;
established in 1905.
Anthony de la P. Beresford, Vice Chairman
John A. Connell, Managing Director

Factories:
- Harlesden (London)
- Kitt Green
- Standish

W. Darlington and Sons Ltd.
Rustington, Sussex

Acquired in 1969.
Robert G. Darlington, Managing Director

Farms:
- Rustington
- Horley

Pickerings Foods Ltd.
Hayes, Middlesex
George Popham, Managing Director

Management control of factories at:
Didcot, Berks
(The Samor Pure Foods Ltd.)
Halnaker, Chichester
(J. G. Reed Poultry Ltd.)
Wellingborough, Northamptonshire
(Moss Waltham & Co. Ltd.)
Shrewsbury, Shropshire
(Moss Waltham & Co. Ltd.)
Coleraine, Northern Ireland
(Pickerings Foods Ltd.)

Heinz-Erin Ltd.
Dublin, Ireland

Jointly owned with Erin Foods Ltd.; established in 1967.

Charles F. Lowe
Brendan G. Doyle
Managing Directors

H. J. Heinz A/S
Copenhagen, Denmark

Established in 1969 to market Heinz products in Denmark.
Dennis F. J. Shattock, Chairman

H. J. Heinz S.A.
Area Management (Benelux, France, Germany)
1170 Brussels, Belgium.

Dr. Nicolo Pellizzari,
Director—Central Europe

H. J. Heinz N.V.
Elst, Gelderland, The Netherlands

Wholly-owned subsidiary; acquired in 1958.

Dr. Nicolo Pellizzari
Acting Managing Director

Factory:
Elst, Gelderland

H. J. Heinz Company (Belgium) S.A./N.V.
Brussels, Belgium

S. Lindmark
General Manager,
Marketing and Sales

H. J. Heinz GmbH
4 Düsseldorf, Germany

S. A. Launderer,
General Manager,
Marketing and Sales, Germany

Industrias de Alimentacao Limitada
Lisbon, Portugal

70% owned by H. J. Heinz N.V., The Netherlands; acquired in 1965.

Jorge Giralt, General Manager

Factories:
Vila Franca de Xira
Benavente

Societa del Plasmon S.p.A.
Milan, Italy

Wholly-owned subsidiary; acquired in 1963.

Dr. Aldo Tartarelli, Managing Director

Factory:
Milan

Societa del Plasmon, Sud., S.p.A.
Latina, Italy

Dr. Aldo Tartarelli, Managing Director

Factory:
Latina

Printed in U.S.A.


WHEEL of FORTUNE


THE MOON


ACE OF WANDS